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(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

March 9, 2006

To Our Shareholders:

**SUPPL**

**Notice of the 167th Ordinary General Meeting of Shareholders**

Dear Shareholders:

Please be advised that the 167th Ordinary General Meeting of Shareholders of the Company will be held as set forth below. You are cordially requested to attend the meeting.

Yours very truly,



Koichiro Aramaki  
Representative Director and President

Kirin Brewery Company, Limited  
10-1, Shinkawa 2-chome,  
Chuo-ku, Tokyo

If you do not plan to attend the meeting, please review the accompanying "Information Relating to the Exercise of Voting Rights" and exercise your voting rights in either of the following ways:

Exercise of voting rights by postal mail:

Please indicate your approval or disapproval of the propositions on the enclosed voting form, affix your seal, and return the form to us by mail by March 29, 2006.

Exercise of voting rights via the Internet:

[Translation omitted. Japanese Language only]

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## Details of the Meeting

### **1. Date and Time:**

March 30, 2006, (Thursday) at 10:00 a.m.

### **2. Place:**

Royal Hall, 3<sup>rd</sup> Floor, Royal Park Hotel  
1-1, Nihonbashi-kakigara-cho 2-chome, Chuo-ku, Tokyo

### **3. Agenda:**

Matters to be reported:

- 1) Report on the business report, balance sheet, and statement of income for the 167th business term (from January 1, 2005 to December 31, 2005).
- 2) Report on the consolidated balance sheet and consolidated statement of income for the 167th business term (from January 1, 2005 to December 31, 2005) and report on the results of the audit of the statutory consolidated report by the Independent Auditors and Board of Statutory Auditors.

Matters to be voted on:

- |                    |  |
|--------------------|--|
| Proposition No. 1: | Approval of the proposed appropriation of unappropriated retained earnings for the 167 <sup>th</sup> business term.  |
| Proposition No. 2: | Partial amendments to the Articles of Incorporation. This proposition is outlined in the "Information Relating to the Exercise of Voting Rights" described below (pp. 51 to 60). |
| Proposition No. 3: | Election of 10 Directors.  |
| Proposition No. 4: | Election of 1 Statutory Auditor.   |
| Proposition No. 5: | Revision of remuneration for Statutory Auditors.   |
| Proposition No. 6: | Presentation of retirement payments to retiring Directors.   |

(Attached documents)

## **BUSINESS REPORT**

(For the period from January 1, 2005 to December 31, 2005)

### **1. Overview of business activities**

#### **(1) Kirin Group developments and results of business activities:**

The economy in Japan during fiscal year 2005 showed signs of sustainable growth backed by domestic private-sector demand. Improved corporate earnings, increased capital investments, and moderate but continued upward momentum in personal consumption were all observed.

In the domestic alcohol beverages market, a new-genre\* of alcohol beverages related to beer and *happo-shu* (low-malt beer) emerged and expanded rapidly. Its market share reached 16% in the whole market consisting of beer, *happo-shu*, and this new-genre of products, though the overall sales fell as a backlash to the extremely hot summer in 2004. The markets for *Chu-hi* (distilled liquor with fruit juice) and *sho-chu* (Japanese distilled liquor made from grain) continued to grow. In the soft drink industry, growth in sales of green tea and mineral water helped drive an expansion of the market.

Amid this environment in 2005, the second year of the "2004-2006 Kirin Group Medium-term Business Plan," we continued striving to achieve the aims of the plan by enhancing Kirin's brand value and aggressively promoting its development as a Group with a corporate focus on development-and-proposal-oriented marketing.

As for the fiscal year sales results, percentage sales of low-priced new-genre products in the alcohol beverages sector were higher than expected. As a result, sales results decreased from the previous year. Profits grew, partly due to favorable results in the alcohol beverages sector.

\* New-genre products refer to alcohol beverages in the "Miscellaneous liquors" group (products not included in the categories of "*happo-shu* (low-malt beer), "powder liquor, or "Other miscellaneous liquors similar to *mirin* (rice cooking wine)") and certain liquors upon the classifications under the Liquor Tax Law in Japan.

|                       | Billions of yen | Percentage increase<br>(decrease) compared to<br>the previous term |
|-----------------------|-----------------|--|
| Consolidated:         |                 |  |
| Total sales.....      | ¥1,632.2        | Down 1.4%  |
| Operating income..... | ¥111.7          | Up 2.1%  |
| Ordinary income.....  | ¥114.8          | Up 7.8%  |
| Net income .....      | ¥51.2           | Up 4.4%  |

### **Alcohol Beverages Business Division**

In the domestic alcohol beverages business, Kirin Group developed its comprehensive alcohol beverages business while securing a leading position in each category and continuing

to promote the shift from price-driven to value-driven marketing. As a result, beer, *happo-shu*, and the new-genre products achieved positive growth in combined sales volume year-on-year for the first time in seven years.

In the beer market, Kirin Group strove to create a new value-added product for customers. As for *Ichiban Shibori* brand, we continued with the popular advertisement connecting beer and “food” to focus on a delectable combination of seasonal food and “*Ichiban Shibori*.” We also launched “*Toretate Hop Ichiban Shibori*,” a beer with the rich flavor of hops for pleasure. In the sector of chilled beer, which Kirin Group pioneered, Kirin Group released “*Golden Hop*” and strove to expand the market of chilled beer through a high-value-added proposition. The Group launched campaigns in spring and autumn to present various ways to enjoy beer, introduce the seasonal foods of the 47 prefectures in Japan, and propose “hot topic” dishes (ideal combinations of delicious foods and beer).

In the *happo-shu* market, Kirin Group reinforced its No. 1 position\* with a renewal of the *Tanrei* series ( *Kirin Tanrei Nama*, *Tanrei Green Label*, and *Tanrei Alpha* brands) and the further enhancement of the brand power of the *Tanrei* series, the dominant series in the *happo-shu* market. \*Taxable shipment volume of *happo-shu* in 2005.

In the much-talked-about new-genre market, Kirin Group launched *Kirin Nodogoshi Nama*, a product which the managements and employees of Kirin Group have pushed ahead with aggressive marketing activities and large-scale advertisement campaigns. Through these efforts, Kirin Group has attained the No. 1\* position in this rapidly growing market. \*Taxable shipment volume of “other miscellaneous liquors, item No. 2” in 2005.

In the *chu-hi* market, Kirin Group sought to expand its unique product line-up under the *Kirin Chu-hi Hyoketsu* brand by launching *Lychee*, *Rose Sparkling* in a premium fruit series, and “*Hayazumi Lemon*, a new product in the “low-sugar” series and etc.

In the *shochu* market, sales of *Kirin Mugi Shochu Pure Blue* continued to grow steadily. In the wine and spirits market, *Fuji-Sanroku*, the first Kirin brand Japanese whisky, was launched and well received by customers. Kirin Group sought to strengthen its wine business by expanding sales with a core focus on *Franzia*, the No. 1\* wine brand worldwide, and *Caf  de Paris*, a French sparkling wine.

\* No. 1 seller among single-brand wines worldwide (Source: IMPACT DATABANK 2005 EDITION)

As an official sponsor of the Japan national men's soccer team, Kirin Group embarked on an active promotional campaign during the preparations and play of the final qualifying matches for the 2006 FIFA World Cup in the Asian region. Promotion materials included a popular 'Kachi-T' original t-shirt and 'Kachi-daru' miniature beer keg.

In sales and marketing, Kirin Group introduced and strove to establish a new trading system aimed at strengthening the industry. Further, Kirin Group improved the sales and marketing structure with an aim to establish a new internal system that can respond promptly to customer needs.

As initiatives in the international alcohol beverages business, a business Kirin Group pursues

mainly in Asia and Oceania, Kirin (China) Investment Co., Ltd. in China has acquired a license to sell liquor and has started to handle Kirin brand products such as *Kirin Chun Zhen Wei* beer in Shanghai. As a first step in the overseas expansion of *Kirin Chu-hai Hyoketsu*, we launched products in Shanghai in collaboration with Kirin Beverage Corporation. Further, a Kirin Group company formerly known as Zhuhai Kirin President Brewery Co., Ltd. was changed to a 100% subsidiary, renamed Kirin Brewery (Zhuhai) Co., Ltd. The construction of a new plant in Zhuhai City in China was decided.

| Alcohol Beverages<br>Business Division | Billions of yen | Percentage increase<br>(decrease) compared to<br>the previous term |
|--|-----------------|--|
| Consolidated:                          |                 |  |
| Total sales.....                       | ¥1,019.3        | Down 3.2%  |
| Operating income.....                  | ¥75.6           | Up 8.5%  |

| Alcohol Beverages<br>Business Division (the Company) | Billions of yen | Percentage increase<br>(decrease) compared to<br>the previous term |
|--|-----------------|--|
| Total sales.....                                     | ¥858.6          | Down 3.8%  |
| Breakdown of total sales:                            |                 |  |
| Beer, <i>happo-shu</i> , and new-genre product       | ¥765.5          | Down 4.1%  |
| Beer.....  | ¥433.9          | Down 11.4%   |
| <i>Happo-shu</i> .....                               | ¥245.6          | Down 20.4%   |
| New-genre product.....                               | ¥85.9           | --   |
| <i>Chu-hi</i> .....                                  | ¥58.2           | Down 0.7%  |
| <i>Shochu</i> , wine and spirits.....                | ¥30.6           | Down 1.3%  |

### Soft Drinks Business Division

In the soft drinks business, Kirin Beverage Corporation, the main soft drinks producer in Kirin Group, carried out aggressive marketing activities by building its core brands and tailoring management strategies for specific regions and business types. Kirin Beverage implemented a comprehensive renewal of the core brand *Nama-cha* and launched limited sales of *Kirin Nama-cha Yame Gyokuro-iri*, backed by efforts across Kirin Beverage to capture customer support in the ever-competitive green tea market. In the growing mineral water market, the Company focused on brand value improvement and proposed new lifestyle scenes for *Kirin Alkali-Ion-no-Mizu* and *Volvic*. Nevertheless, harsh competition among companies limited the increases in total quantities sold by Kirin Beverage.

In overseas soft drinks operations, Kirin Beverage launched *Kirin Shanghai Reicha* in Shanghai to coincide with sales in Japan. Kirin Beverage also proposed new products for the growing soft drinks market in China in response to the diversifying tastes of customers.

| <b>Soft Drinks<br/>Business Division</b> | <b>Billions of yen</b> | <b>Percentage increase<br/>(decrease) compared to<br/>the previous term</b> |
|--|------------------------|---|
| Consolidated:                            |                        |   |
| Total sales.....                         | ¥380.1                 | Up 2.1%   |
| Operating income.....                    | ¥19.3                  | Down 14.9%  |

### **Pharmaceuticals Business Division**

In the pharmaceuticals business, Kirin Group began full in-house marketing of two core products--*ESPO*, a medicine for renal anemia, and *GRAN*, a medicine for leukopenia--following the expiration of a sales contract with Sankyo Co., Ltd. Kirin Pharmaceuticals Singapore Pte., Ltd. and Kirin Pharmaceuticals Thailand Co., Ltd. were established as part of the Group-wide business base arrangement for full-scale entry into the ASEAN market. Further, we acquired Hematec, a collaborator in joint research on an antibody expected to play a central role in our future pharmaceutical business, and made the company our subsidiary. In R&D, we have applied for approval of *KRN321*, a new-generation medicine now under development for the treatment of renal anemia, and we have continued our development of *KRN1493*, a treatment for secondary hyperparathyroidism.

| <b>Pharmaceuticals<br/>Business Division</b> | <b>Billions of yen</b> | <b>Percentage increase<br/>(decrease) compared to<br/>the previous term</b> |
|--|------------------------|---|
| Consolidated:                                |                        |   |
| Total sales.....                             | ¥67.6                  | Up 7.8%   |
| Operating income.....                        | ¥14.2                  | Up 17.3%  |

### **Other Business Divisions**

In the functional foods business, Kirin Group strengthened its business foundation in order to extend the coverage of its operations over the entire value chain, from R&D through to sales and marketing. Kirin Well-Foods Co., Ltd. strengthened the sales of products such as Lieta, a completely renewed food product. Further, we formed an alliance agreement with Yakult Group to develop new-generation nutrient foods and functional foods businesses.

In the agribio business, Kirin Group made value-added proposals by accelerating the development of "production site brand bouquet," a system for prefixing the names of products with the names of the production sites and producers, and by expanding our line-up to 19 items. Further, Kirin Group enhanced the potato business with a special focus on the "Cynthia" species.

| Other<br>Business Divisions | Billions of yen | Percentage increase<br>(decrease) compared to<br>the previous term |
|-----------------------------|-----------------|--|
| Consolidated:               |                 |  |
| Total sales.....            | ¥165.1          | Down 0.8%  |
| Operating income.....       | ¥4.4            | Down 43.8%   |

**(2) Kirin Group plant and equipment investment and fundraising:**

Consolidated plant and equipment investment for the term under review amounted to ¥62.9 billion on a payment basis, a decrease of ¥6.0 billion compared to the previous term.

Major facilities completed during the term under review and under construction or contemplation as of the end of the said term are as follows:

**1) Major facilities completed during the term under review**

| Business Division          | Company Name            | Details of the Plant and Equipment Investment   |
|----------------------------|-------------------------|---|
| Alcohol Beverages Business | Kirin Brewery Co., Ltd. | Tochigi Plant – Improvement of beer and <i>happo-shu</i> brewing facilities   |
| Soft Drinks Business       | Kirin Beverage Corp.    | Shonan Plant – Renewal of beverage production facilities<br>Kirin Brewery Co., Ltd., Shiga Plant – Construction of beverage production facilities<br>Kanto Metropolis Area Div. and Others – Renewal and installation of vending machines |
|                            | Kirin Brewery Co., Ltd. | Shiga Plant – Construction of beverage production facilities  |
| Pharmaceuticals Business   | Kirin Brewery Co., Ltd. | CMC R&D Laboratories – Construction of pharmaceutical research facilities   |

**2) Major facilities under construction or contemplation as of the end of the term under review**

| Business Division          | Company Name            | Detail of the Plant and Equipment Investment  |
|----------------------------|-------------------------|---|
| Alcohol Beverages Business | Kirin Brewery Co., Ltd. | Fukuoka Plant – Partial replacement of brewing facilities of beer and <i>happo-shu</i> , etc.<br>Toride Plant – Improvement of brewing facilities of beer and <i>happo-shu</i> , etc. |

|                      |                         |  |
|----------------------|-------------------------|--|
| Soft Drinks Business | Kirin Beverage Corp.    | Kanto Metropolis Area Div. and Others – Renewal and installation of vending machines |
|                      | Kirin Brewery Co., Ltd. | Hokuriku Plant – Construction of beverage production facilities                      |
| Other Businesses     | Kirin Brewery Co., Ltd. | Former Amagasaki Plant Site – Commercial complex development project                 |

Kirin Group engaged in no fundraising activities requiring specific disclosure during the term under review.

The aggregate amount of loans payable, including bonds, was ¥248.6 billion as of the end of the said term. This was a decrease of ¥14.9 billion compared to the end of the previous term.

### (3) Future challenges for Kirin Group:

Fiscal year 2006 marks the final year of the “2004-2006 Kirin Group Medium-term Business Plan.” Kirin Group will continue to qualitatively transform itself into a stronger corporate group focusing on development-and-proposal-oriented marketing with the aim of enhancing “Kirin’s brand value.”

#### **2004-2006 Kirin Group Medium-term Business Plan**

1. Strengthen the domestic alcohol beverages and soft drinks businesses as the foundation of the Kirin Brand
  - (1) Bolster product brands to enhance Kirin’s brand value
  - (2) Create new business models by leveraging synergies in the domestic alcohol beverages and soft drinks businesses
2. Strengthen the platform for the international alcohol beverages business and enhance the diversified businesses
3. Implement Corporate Social Responsibility (CSR)

Based on the above business plans, in 2006, Kirin Group will propose more attractive values by activities more in line with customer needs and thereby become a manufacturer with the highest customer support. With this in mind, we will work to achieve the following core objectives:

#### **Alcohol Beverages Business Division**

- In order to respond to the rapidly changing market, Kirin Group will reshape its domestic alcohol beverages division, its core business, into in-house company. In its new form, the company will evolve as a more autonomic, spontaneous, and flexible organization.
- Kirin Group approaches 2006 as a year for aggressive action to strengthen its already leading position in the *happo-shu* market and new-genre market while proposing values that meet the expectations of customers in beer as well.



- By proactively implementing attractive proposals in the RTD\* category with a focus on *Hyoketsu*, as well as *shochu*, wine and spirits, Kirin Group aims to obtain the support of customers as a comprehensive alcohol beverages manufacturer.  
\*abbreviation for “Ready to Drink.” Low-alcohol beverages you can drink by just opening the cap. The market for this type of beverage is expanding in Japan, mainly in the can-type *chu-hi* sector.
- In the wake of the Olympic campaign, Kirin Group will aggressively develop marketing programs to support the Japanese national soccer team participating in the 2006 FIFA World Cup Germany, and propose highly attractive new values for customers.
- In the international alcohol beverages business, we are endeavoring to strengthen business through new business collaboration focusing on Asia and Oceania. Our work to develop our business bases will proceed the most rapidly in China.

### **Soft Drinks Business Division**

In the domestic market, in order to establish a stable business structure in the rapidly changing market conditions, Kirin Group will manage to operate the development of its core brands—particularly *Kirin Namacha*, *Kirin Gogono-kocha*, and *Kirin Fire*—while continuing to build strong marketing bases. We will also further promote group synergy by operating a production facility for bottled water at the Hokuriku Plant of Kirin Brewery. Overseas, Kirin Group will accelerate business strategies in Asia and commence soft drinks business in Thailand.

### **Pharmaceuticals and Other Business Divisions**

In the pharmaceuticals business, Kirin Group will prepare to position new drugs on the market and work to further enhance development pipeline. Overseas, we will start to develop business in the ASEAN markets. In the functional foods business, we are planning to brush up our core products and to promote tie-up business with Yakult Group. In the agribio business, Kirin Group will endeavor to strengthen business bases both in Japan and overseas.

### **Implementing CSR**

Based upon the “Group CSR Declaration” made in 2005, and encapsulating the philosophy that CSR comprises activities to gain the trust of society, Kirin will carry out CSR activities based on the following five themes: “compliance,” “safety and reliability,” “protection of personal information,” “the promotion of responsible and appropriate drinking,” and “strengthened activities to protect nature.”

As reflected in our corporate slogan, *Ureshii wo, tsugi tsugi to* (“Happiness, time after time”), Kirin Group will proactively offer proposals as a corporate group to create values that will enrich the lives of consumers.

Kirin Group is grateful for the continued support of its shareholders.

(4) Operating results, state of assets, and explanations thereof:

1) Consolidated operating results and state of assets

| Item                        | 164 <sup>th</sup> term         | 165 <sup>th</sup> term         | 166 <sup>th</sup> term         | 167 <sup>th</sup> term         |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                             | (Jan. 1, 2002 – Dec. 31, 2002) | (Jan. 1, 2003 – Dec. 31, 2003) | (Jan. 1, 2004 – Dec. 31, 2004) | (Jan. 1, 2005 – Dec. 31, 2005) |
| <b>Sales</b>                | ¥1,583,248 million             | ¥1,597,509 million             | ¥1,654,886 million             | ¥1,632,249 million             |
| <b>Ordinary income</b>      | ¥84,443 million                | ¥94,676 million                | ¥106,562 million               | ¥114,881 million               |
| <b>Net income</b>           | ¥32,540 million                | ¥32,395 million                | ¥49,099 million                | ¥51,263 million                |
| <b>Net income per share</b> | ¥33.26                         | ¥33.27                         | ¥50.58                         | ¥53.23                         |
| <b>Net assets</b>           | ¥769,227 million               | ¥803,882 million               | ¥858,615 million               | ¥972,601 million               |
| <b>Net assets per share</b> | ¥795.71                        | ¥831.84                        | ¥888.65                        | ¥1,016.74                      |
| <b>Total assets</b>         | ¥1,744,131 million             | ¥1,787,867 million             | ¥1,823,790 million             | ¥1,937,866 million             |

(Note) Since the 165<sup>th</sup> business term, the Company has adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2 (“Accounting Standard for Earnings Per Share”) and Financial Accounting Standards Implementation Guidance No. 4 (“Implementation Guidance for Accounting Standard for Earnings Per Share”) issued by the Accounting Standards Board of Japan on September 25, 2002). The adoption of the new accounting standard has had no material effect on earnings per share and net assets per share.

164th Business Term

While beer sales declined, the sales of *happo-shu*, *chu-hi*, and soft drinks all increased. Consequently, consolidated sales increased. Despite the effect of a reduction in *happo-shu* prices, consolidated net income amounted to ¥32.5 billion because of reductions in selling and production expenses and other factors.

165th Business Term

While beer sales declined, the sales of *happo-shu*, *chu-hi*, soft drinks, and pharmaceuticals all increased. Consequently, consolidated sales increased. Consolidated net income amounted to ¥32.3 billion.

166th Business Term

Sales of alcohol beverages grew steadily, while soft drinks, pharmaceuticals, and other businesses all recorded strong results. Consequently, consolidated sales increased. As a result of reforms in the profit structure, consolidated net income amounted to ¥49.0

billion.

#### 167th Business Term

Business results for the term under review are as described in “(1) Kirin Group developments and results of business activities” above.

#### 2) The Company's operating results and state of assets

| Item                 | 164 <sup>th</sup> term            | 165 <sup>th</sup> term            | 166 <sup>th</sup> term            | 167 <sup>th</sup> term            |
|----------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                      | (Jan. 1, 2002 –<br>Dec. 31, 2002) | (Jan. 1, 2003 –<br>Dec. 31, 2003) | (Jan. 1, 2004 –<br>Dec. 31, 2004) | (Jan. 1, 2005 –<br>Dec. 31, 2005) |
| Sales                | ¥999,920<br>million               | ¥961,830<br>million               | ¥956,969<br>million               | ¥935,621<br>million               |
| Ordinary income      | ¥53,831<br>million                | ¥71,935<br>million                | ¥66,797<br>million                | ¥72,517<br>million                |
| Net income           | ¥26,380<br>million                | ¥34,888<br>million                | ¥40,485<br>million                | ¥43,886<br>million                |
| Net income per share | ¥26.96                            | ¥35.96                            | ¥41.76                            | ¥45.61                            |
| Net assets           | ¥679,770<br>million               | ¥726,030<br>million               | ¥776,356<br>million               | ¥859,943<br>million               |
| Net assets per share | ¥703.18                           | ¥751.21                           | ¥803.60                           | ¥899.02                           |
| Total assets         | ¥1,280,112<br>million             | ¥1,330,444<br>million             | ¥1,417,778<br>million             | ¥1,512,515<br>million             |

(Note) Since the 165<sup>th</sup> business term, the Company has adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2 (“Accounting Standard for Earnings Per Share”) and Financial Accounting Standards Implementation Guidance No. 4 (“Implementation Guidance for Accounting Standard for Earnings Per Share”) issued by the Accounting Standards Board of Japan on September 25, 2002). The adoption of the new accounting standard has had no material effect on earnings per share and net assets per share.

#### 164th Business Term

Sales of *happo-shu* and *chu-hi* increased solidly, sales of pharmaceuticals increased slightly, while sales of beer decreased. Consequently, total sales decreased. Despite the effect of a reduction in *happo-shu* prices, net income amounted to ¥26.3 billion because of reductions in selling and production expenses and other factors.

#### 165th Business Term

Sales of *happo-shu*, *chu-hi* and pharmaceuticals increased, while the sales of beer decreased. Consequently, total sales decreased. Net income amounted to ¥34.8 billion, chiefly as a result of revisions of the earnings structure, among other factors.

## 166th Business Term

Sales of *chu-hi* and pharmaceuticals increased, while sales of beer decreased. Consequently, total sales decreased. Net income amounted to ¥40.4 billion because of the return of a substitutional portion of Welfare Pension Insurance and the application of accounting for the impairment of assets, among other factors.

## 167th Business Term

Sales of new-genre products in alcohol beverages and pharmaceuticals increased, while sales of beer and *happo-shu* decreased. Consequently, total sales decreased. As a result of full-scale in-house marketing of pharmaceutical products, net income amounted to ¥43.8 billion.

## 2. Outline of Kirin Group (as of December 31, 2005, unless noted otherwise)

### (1) Description of the main businesses:

The main businesses of Kirin Group are the production and sale of alcohol beverages, soft drinks, pharmaceuticals, and other products. The principal products by business category are as follows:

#### 1) Alcohol Beverages Business Division

| Company name            | Principal products   |
|-------------------------|--|
| Kirin Brewery Co., Ltd. | Kirin Lager Beer   Kirin Ichiban Shibori<br>Kirin Classic Lager   Budweiser   Heineken<br>Tanrei Nama   Tanrei Green Label   Tanrei Alpha<br>Kirin Nodogoshi Nama<br>Kirin Chu-hi Hyoketsu<br>Kirin Mugi Shochu Pure Blue   Chivas Regal<br>Four Roses   Fuji-Sanroku   Franzia   Shin Lu Chu<br>(Beer-flavored sparkling beverages) Malt Squash |
| Lion Nathan Ltd.        | Tooheys   XXXX   Hahn Premium<br>Steinlager  |

#### 2) Soft Drinks Business Division

| Company name         | Principal products  |
|----------------------|---|
| Kirin Beverage Corp. | Kirin Namacha   Kirin Gogono-kocha   Kirin Fire<br>Kirin Amino Supli   Kirin Alkali-Ion-no-Mizu<br>Volvic |

#### 3) Pharmaceuticals Business Division

| Company name            | Principal products   |
|-------------------------|--|
| Kirin Brewery Co., Ltd. | ESPO, a medicine for treatment of renal anemia<br>GRAN, a medicine for treatment of leukopenia |

**(2) Major business offices, plants, etc. in Kirin Group:**

**1) Alcohol Beverages Business Division**

**Kirin Brewery Co., Ltd.**

Head office: 10-1, Shinkawa 2-chome, Chuo-ku, Tokyo

Regional head office:

Kita-Nihon Regional Sales & Marketing Division (Sendai)

Metropolitan Regional Sales & Marketing Division (Chuo-ku, Tokyo)

Chubu Regional Sales & Marketing Division (Nagoya)

Kinki Regional Sales & Marketing Division (Osaka)

Nishi-Nihon Regional Sales & Marketing Division (Fukuoka)

National Sales & Marketing Division (Chuo-ku, Tokyo)

Plants:

Chitose Plant (Chitose)

Sendai Plant (Sendai)

Tochigi Plant (Takanezawa-machi, Shioya-gun, Tochigi)

Toride Plant (Toride)

Yokohama Plant (Yokohama)

Nagoya Plant (Kiyosu)

Hokuriku Plant (Hakusan)

Shiga Plant (Taga-cho, Inukami-gun, Shiga)

Kobe Plant (Kobe)

Okayama Plant (Seto-cho, Akaiwa-gun, Okayama)

Fukuoka Plant (Amagi)

Research institutes:

Central Laboratories for Frontier Technology (Yokohama)

Research Laboratories for Brewing (Yokohama)

Research Laboratories for Packaging (Yokohama)

**Lion Nathan Ltd.**

Head office: Sydney, New South Wales, Australia

**Kirin (China) Investment Co., Ltd.**

Head office: Shanghai, China

(Note) Kirin Brewery Co., Ltd. reorganized its sales structure by converting 10 regional sales & marketing divisions into 6 regional sales & marketing divisions as of September 21, 2005.

## **2) Soft Drinks Business Division**

### **Kirin Beverage Corp.**

Head office: 1, Kanda-Izumicho, Chiyoda-ku, Tokyo

Regional head offices:

Kanto Metropolis Area Division (Chiyoda-ku, Tokyo)

Kinki Metropolis Area Division (Osaka)

Plants:

Shonan Plant (Samukawa-machi, Koza-gun, Kanagawa)

Maizuru Plant (Maizuru)

Research institutes:

Research and Development Laboratory (Yokohama)

## **3) Pharmaceuticals Business Division**

### **Kirin Brewery Co., Ltd.**

Head office: 26-1, Jingumae 6-chome, Shibuya-ku, Tokyo

Branch offices:

Hokkaido Branch (Sapporo)

Tohoku Branch (Sendai)

Tokyo First Branch (Shibuya-ku, Tokyo)

Tokyo Second Branch (Shibuya-ku, Tokyo)

Nagoya Branch (Nagoya)

Osaka Branch (Osaka)

Chugoku Shikoku Branch (Fuchu-cho, Aki-gun, Hiroshima)

Kyushu Branch (Fukuoka)

Plants:

Takasaki Pharmaceutical Plant (Takasaki)

Research institutes:

Pharmaceutical Research Laboratories (Takasaki)

CMC R&D Laboratories (Takasaki)

Pharmaceutical Development Laboratories (Maebashi)

(3) **Employees of Kirin Group:**

| <b>Business Division</b>   | <b>Number of employees (persons)</b> |
|----------------------------|--------------------------------------|
| Alcohol Beverages Business | 7,734 [2,396]                        |
| Soft Drinks Business       | 5,062 [ 931]                         |
| Pharmaceuticals Business   | 1,459 [ 3]                           |
| Other Businesses           | 7,346 [2,204]                        |
| Administration             | 488 [ 0]                             |
| <b>Total</b>               | <b>22,089[5,534]</b>                 |

- (Notes)
1. The number of employees indicates the number of employees currently on duty.
  2. The yearly average number of temporary employees is separately indicated in brackets.
  3. The following indicates the status of the Company's employees (excluding employees seconded by the Company and including employees seconded to the Company). The yearly average number of temporary employees is separately indicated in brackets.

| <b>Number of employees (persons)</b> | <b>Increase / decrease compared to the end of the previous term (persons)</b> | <b>Average age (years)</b> | <b>Average length of service (years)</b> |
|--------------------------------------|---|----------------------------|--|
| 5,192 [391]                          | -247  | 40.5                       | 16.4                                     |

(4) **Significant subsidiaries and other significant business combinations:**

1) **Significant subsidiaries**

| <b>Company name</b>                 | <b>Location</b> | <b>Capital</b> | <b>Ratio of voting rights held by the Company</b> | <b>Description of principal businesses</b>  |
|-------------------------------------|-----------------|----------------|---|---|
| Kirin Communication Stage Co., Ltd. | Chuo-ku, Tokyo  | ¥10 million    | 100%  | Merchandising of Kirin products in mass retail stores and quality promotion in eating and drinking establishments |
| Kirin Distillery Co., Ltd.          | Gotemba         | ¥5,617 million | 100%  | Production of liquors, <i>chu-hi</i> , etc.   |

| <b>Company name</b>                     | <b>Location</b>                    | <b>Capital</b>        | <b>Ratio of voting rights held by the Company</b> | <b>Description of principal businesses</b>           |
|---|------------------------------------|-----------------------|---|--|
| Ei Sho Gen Co., Ltd.                    | Shinagawa-ku, Tokyo                | ¥90 million           | 99.9%   | Production and sale of Chinese alcohol beverages     |
| Lion Nathan Ltd.                        | Sydney, New South Wales, Australia | A\$436,086 thousand   | 46.1%   | Production and sale of beer and wine                 |
| Kirin (China) Investment Co., Ltd.      | Shanghai, China                    | U.S.\$79,400 thousand | 100%  | Management of beer business in China                 |
| Kirin Brewery (Zhuhai) Co., Ltd.        | Zhuhai, Guangdong, China           | U.S.\$74,000 thousand | *100%   | Production and sale of beer                          |
| Raymond Vineyard & Cellar, Inc.         | Saint Helena, California, U.S.A.   | U.S.\$21,720 thousand | 100%  | Production and sale of wine                          |
| Four Roses Distillery LLC               | Lawrenceburg, Kentucky, U.S.A.     | U.S.\$60,000 thousand | *100%   | Production of bourbon whiskeys                       |
| Kirin Beverage Corp.                    | Chiyoda-ku, Tokyo                  | ¥8,416 million        | 59.4%   | Production and sale of soft drinks                   |
| Hokkaido Kirin Beverage Corp.           | Sapporo                            | ¥80 million           | *100%   | Sale of soft drinks                                  |
| Tokyo Kirin Beverage Service Co., Ltd.  | Chiyoda-ku, Tokyo                  | ¥10 million           | *100%   | Sale of soft drinks                                  |
| Kansai Kirin Beverage Service Co., Ltd. | Osaka                              | ¥10 million           | *100%   | Sale of soft drinks                                  |
| VIVAX Co., Ltd.                         | Hiroshima                          | ¥490 million          | *100%   | Sale of soft drinks                                  |
| Kirin MC Danone Waters Co., Ltd.        | Chiyoda-ku, Tokyo                  | ¥1,500 million        | *51.0%  | Import, production, and sale of mineral water        |
| Koiwai Dairy Products Co., Ltd.         | Chiyoda-ku, Tokyo                  | ¥1,689 million        | *75.5%  | Production and sale of milk and dairy products, etc. |



| <b>Company name</b>  | <b>Location</b>                       | <b>Capital</b>        | <b>Ratio of voting rights held by the Company</b> | <b>Description of principal businesses</b>                              |
|--|---------------------------------------|-----------------------|---|---|
| The Coca-Cola Bottling Company of Northern New England, Inc. | Bedford, New Hampshire, U.S.A.        | U.S.\$930 thousand    | 100%  | Production and sale of soft drinks                                      |
| Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.           | Shanghai, China                       | U.S.\$29,800 thousand | 70.0%   | Production and sale of pharmaceuticals                                  |
| Kirin Agribio EC B.V.  | De Lier Zuid-Holland, The Netherlands | €18,877               | 100%  | Management of flower-related business in Europe, etc.                   |
| Kirin Well-Foods Co., Ltd.                                   | Koto-ku, Tokyo                        | ¥1,200 million        | 100%  | Manufacture and sale of dietary supplements                             |
| Takeda-Kirin Foods Corp.                                     | Chuo-ku, Tokyo                        | ¥5,000 million        | 66.0%   | Production and sale of seasonings, etc.                                 |
| Kirin Logistics Corp.  | Shibuya-ku, Tokyo                     | ¥504 million          | 99.2%   | Cargo transportation by automobiles                                     |
| Kirin Engineering Co., Ltd.                                  | Yokohama                              | ¥1,000 million        | 100%  | Engineering for food-related industries, etc.                           |
| Kirin Techno-System Corp.                                    | Yokohama                              | ¥1,590 million        | 100%  | Manufacture and sale of automatic inspection machines                   |
| Kirin Australia Pty. Ltd.                                    | Perth, Western Australia, Australia   | A\$12,000 thousand    | 100%  | Production and sale of beer malts                                       |
| Nagano Tomato Co., Ltd.                                      | Matsumoto                             | ¥711 million          | *44.0%  | Production and sale of foods, production of drinks, etc. under contract |
| Yokohama Arena Co., Ltd.                                     | Yokohama                              | ¥10,000 million       | 53.8%   | Management and operation of event facilities                            |

| Company name                     | Location          | Capital        | Ratio of voting rights held by the Company | Description of principal businesses               |
|----------------------------------|-------------------|----------------|--|---|
| Kirin International Trading Inc. | Shibuya-ku, Tokyo | ¥100 million   | 100%                                       | Import-export of foods                            |
| Yokohama Akarenga Co., Ltd.      | Yokohama          | ¥2,090 million | 71.8%                                      | Management and operation of commercial facilities |

- (Notes) 1. Voting rights ratio marked with \* include those held by the subsidiaries.
2. The capital of Kirin (China) Investment Co., Ltd. became U.S. \$79,400 thousand (U.S.\$35,000 thousand at the end of the previous term) after an increase in capitalization.
3. The ratio of voting rights of Kirin Brewery (Zhuhai) Co., Ltd. (company name changed from Zhuhai Kirin President Brewery Co., Ltd.) became 100.0% (60.0% at the end of the previous term) as the Company newly acquired 40.0% equity in Kirin Brewery (Zhuhai).
4. The ratio of voting rights of Takeda-Kirin Foods Corp. became 66.0% (51.0% at the end of the previous term) as the Company newly acquired 60 shares.
5. The Capital of Yokohama Arena Co., Ltd. became ¥10,000 million (¥13,000 million at the end of the previous term) after a decrease of capital.

2) Significant affiliated companies

| Company name                       | Location  | Capital          | Ratio of voting rights held by the Company | Description of principal business  |
|------------------------------------|---|------------------|--|------------------------------------|
| San Miguel Corp.                   | Mandaluyong City, Metro Manila, the Republic of the Philippines | ₱ 16,031 million | 20.0%                                      | Production and sale of beer        |
| Dalian Daxue Brewery Co., Ltd.     | Pulandian City, Dalian, Liaoning Province, China                | yuan150 million  | *25.0%                                     | Production and sale of beer        |
| Kinki Coca-Cola Bottling Co., Ltd. | Settsu  | ¥10,948 million  | 41.2%                                      | Production and sale of soft drinks |

|                       |                                   |                |        |  |
|-----------------------|-----------------------------------|----------------|--------|--|
| KIRIN-TROPICANA, INC. | Chuo-ku, Tokyo                    | ¥480 million   | *50.0% | Production and sale of fruit beverages                           |
| Kirin-Amgen, Inc.     | Thousand Oaks, California, U.S.A. | U.S.\$10       | 50.0%  | Research and development of pharmaceuticals                      |
| Yonekyu Corp.         | Numazu                            | ¥8,634 million | 20.1%  | Sale of meat, and production and sale of processed meat products |

- (Notes) 1. Voting rights ratio marked with \* include those held by the subsidiaries.
2. The ratio of voting rights of San Miguel Corp. became 20.0% (15.5% at the end of the previous term) as the Company newly acquired and undertook 186,086,675 shares.
3. The ratio of voting rights of Dalian Daxue Brewery Co., Ltd. became 25.0% (3.8% at the end of the previous term) as Kirin (China) Investment Co., Ltd., a subsidiary of the Company, undertook 31,884,770 new shares issued by Dalian Daxue as a third-party allotment.

### 3) Developments and results of business combinations

Developments and results of business combinations of Kirin Group are as described in **1. Overview of business activities (1) Kirin Group developments and the results of business activities.** The Company has 257 consolidated subsidiaries and 16 affiliated companies accounted for by the equity method.

### 4) Significant business affiliations

| Company name               | Description of affiliation   |
|----------------------------|--|
| Heineken International B.V | Incorporation of a joint venture (in Japan) for the purpose of selling Heineken Beer in Japan  |
| Anheuser-Busch, Inc.       | Exclusive production and sale of Budweiser Beer in Japan<br>Incorporation of a joint venture (in the U.S.A.) for the purpose of producing and selling Kirin Beer in the U.S.A. |
| Pernod Ricard S.A.         | Exclusive import and sale of liquors, etc.   |
| Diageo Plc.                | Exclusive import and sale of liquors, etc.   |
| Amgen Inc.                 | Incorporation of a joint venture (in the U.S.A.) for the purpose of research and development of pharmaceuticals, etc.  |

(5) **State of shares:**

- 1) **Total number of shares authorized to be issued**  
1,732,026,000 shares
- 2) **Total number of issued shares**  
984,508,387 shares  
(No change from the end of the previous term)
- 3) **Number of shareholders**  
146,142 persons  
(Decreased by 8,681 persons from the end of the previous term)
- 4) **Major shareholders (top ten)**

| Name of shareholder  | Number of shares held by the shareholder |                            | Company's investment in the shareholder |                            |
|--|--|----------------------------|---|----------------------------|
|  | (thousand shares)                        | ratio of share holding (%) | (thousand shares)                       | ratio of share holding (%) |
| Meiji Yasuda Life Insurance Company  | 43,697                                   | 4.4                        | -                                       | -                          |
| The Bank of Tokyo-Mitsubishi, Ltd.   | 35,085                                   | 3.6                        | -                                       | -                          |
| Moxley & Co.   | 33,973                                   | 3.5                        | -                                       | -                          |
| Japan Trustee Service Bank, Ltd. (Trust account)   | 33,015                                   | 3.4                        | -                                       | -                          |
| State Street Bank and Trust Company  | 27,334                                   | 2.8                        | -                                       | -                          |
| The Master Trust Bank of Japan, Ltd. (Trust account)   | 23,938                                   | 2.4                        | -                                       | -                          |
| Isono Shokai, Limited  | 23,272                                   | 2.4                        | -                                       | -                          |
| The Melon Bank Treaty Clients Omnibus  | 19,173                                   | 1.9                        | -                                       | -                          |
| Shinsei Bank, Limited  | 15,353                                   | 1.6                        | -                                       | -                          |
| The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust for The Mitsubishi UFJ Trust and Banking Corporation) | 11,621                                   | 1.2                        | -                                       | -                          |

(Notes) 1. In addition to the list above, the Company holds 28,173 thousand treasury

shares.

2. On January 1, 2006, The Bank of Tokyo-Mitsubishi, Ltd. merged with UFJ Bank Limited to form The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of the same date.

**(6) Acquisition, disposal and holding of treasury shares:**

**1) Acquisition of treasury shares**

Acquisition upon resolution of the Board of Directors based on the provision of Articles of Incorporation authorizing the acquisition of stock.

|                          |                  |
|--------------------------|------------------|
| Ordinary shares          | 9,000,000 shares |
| Total acquisition amount | ¥9,945,000,000   |

Acquisition by the purchase of less-than-one-unit shares from shareholders:

|                          |                |
|--------------------------|----------------|
| Ordinary shares          | 662,720 shares |
| Total acquisition amount | ¥748,422,441   |

(Notes) The Board of Directors of the Company resolved to purchase treasury stocks from the market in accordance with the provisions of the Company's Articles of Incorporation to flexibly implement various management policies in response to the changing business conditions.

**2) Disposal of treasury shares**

Disposal by the sale of less-than-one-unit shares to shareholders:

|                       |               |
|-----------------------|---------------|
| Ordinary shares       | 66,545 shares |
| Total disposal amount | ¥72,667,751   |

**3) Treasury share holdings as of December 31, 2005**

|                 |                   |
|-----------------|-------------------|
| Ordinary shares | 28,173,156 shares |
|-----------------|-------------------|

**(7) Principal lenders, amounts loaned, and the numbers of Company shares held by the lenders:**

| Lender                                    | Outstanding<br>amount of loan | Company's shares held by the lender<br>and the ratio of share holding |     |
|---|-------------------------------|---|-----|
|   | (millions of yen)             | (thousand shares)   | (%) |
| The Bank of<br>Tokyo-Mitsubishi,<br>Ltd.  | ¥12,200                       | 35,085  | 3.6 |
| Meiji Yasuda Life<br>Insurance<br>Company | ¥10,000                       | 43,697  | 4.4 |

- (Notes) 1. In addition to the above, the Company has an outstanding balance of ¥68,339 million in borrowing from 21 Group Companies as a result of the cash management system introduced in order to enhance the efficient use of Group capital.
2. On January 1, 2006, The Bank of Tokyo-Mitsubishi, Ltd. merged with UFJ Bank Limited to form The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of the same date.

**(8) Directors and Statutory Auditors:**

| <u>Title</u>   | <u>Name</u>       | <u>Position</u>  |
|--|-------------------|--|
| President:<br>(Representative Director)                | Koichiro Aramaki  |  |
| Executive Vice President:<br>(Representative Director) | Naomichi Asano    |  |
| Managing Director:                                     | Takeshi Shigenaga |  |
| Managing Director:                                     | Shozo Sawada      |  |
| Managing Director:                                     | Akira Negami      |  |
| Managing Director:                                     | Kazuyasu Kato     |  |
| Managing Director:                                     | Takeshi Shimazu   |  |
| Managing Director:                                     | Kazuhiro Satoh    |  |
| Director:  | Kenjiro Hata      | Senior Advisor of<br>Meiji Yasuda Life Insurance<br>Company              |
| Director:  | Satoru Kishi      | Senior Advisor of The Bank of<br>Tokyo-Mitsubishi, Ltd.                  |
| Standing Statutory Auditor:                            | Tadahisa Kono     |  |
| Standing Statutory Auditor:                            | Motokazu Fujita   |  |
| Statutory Auditor:                                     | Toyoshi Nakano    | Senior Advisor of<br>The Mitsubishi UFJ Trust and<br>Banking Corporation |
| Statutory Auditor:                                     | Teruo Ozaki       | Certified public accountant  |

(Notes) 1. Mr. Toyoshi Nakano and Mr. Teruo Ozaki are outside Statutory Auditors as provided for in Article 18, Paragraph 1 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha."

2. Mr. Satoru Kishi assumed office as Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on January 1, 2006.

(Reference) The Company has the executive officer system. The following are Executive Officers:

| <b>Title</b>               | <b>Name</b>       | <b>Position</b>  |
|----------------------------|-------------------|--|
| President                  | Koichiro Aramaki  | -  |
| Executive Vice President   | Naomichi Asano    | Responsible for Group management development and the Internal Audit Dept.  |
| Managing Executive Officer | Takeshi Shigenaga | Responsible for the Legal Dept., General Affairs Dept., and Real Estate Business Div.                            |
| Managing Executive Officer | Shozo Sawada      | Responsible for the CSR & Corporate Communications Div. and the Personnel Dept.                                  |
| Managing Executive Officer | Akira Negami      | President of the Production Div.   |
| Managing Executive Officer | Kazuyasu Kato     | President of the Sales & Marketing Div.  |
| Managing Executive Officer | Takeshi Shimazu   | Responsible for the Strategic Research & Development Dept., Quality Assurance Dept., and Purchasing Dept.        |
| Managing Executive Officer | Kazuhiro Satoh    | Responsible for the Finance & Accounting Dept., Information Planning Dept., and Business Operation Control Dept. |
| Managing Executive Officer | Katsuhiko Asano   | President of the Pharmaceutical Div.   |
| Managing Executive Officer | Kenichiro Kanegae | President of the Functional Food Div.  |
| Managing Executive Officer | Senji Miyake      | General Manager of the Metropolitan Regional Sales & Marketing Div.  |
| Managing Executive Officer | Hideo Mori        | General Manager of the CSR & Corporate Communications Div.   |
| Managing Executive Officer | Shinji Saito      | General Manager of the Nishi-Nihon Regional Sales & Marketing Div.   |
| Managing Executive Officer | Koichi Matsuzawa  | General Manager of the Production & Quality Control Dept. of the   |

| <b>Title</b>      | <b>Name</b>          | <b>Position</b>  |
|-------------------|----------------------|--|
|                   |                      | Production Div.  |
| Executive Officer | Chuichi Saito        | General Manager of the Kita-Nihon Regional Sales & Marketing Div.  |
| Executive Officer | Yoshiyuki Matsushima | President of the Agribio Business Div.   |
| Executive Officer | Yoshihiko Kitamura   | Representative Director and President of Takeda-Kirin Foods Corp.  |
| Executive Officer | Yoshiaki Kiyose      | General Manager of the Real Estate Business Div.   |
| Executive Officer | Yuzo Wazumi          | General Manager of the Kinkiken Regional Sales & Marketing Div.  |
| Executive Officer | Hitoshi Oshima       | President of the International Beer, Wine and Spirits Div.   |
| Executive Officer | Junichi Koumegawa    | General Manager of the Pharmaceutical Research Laboratories  |
| Executive Officer | Yoshiaki Takano      | General Manager of the Yokohama Plant  |
| Executive Officer | Tomohiro Mune        | General Manager of the Personnel Dept.   |
| Executive Officer | Ken Yamazumi         | Vice President of the Pharmaceutical Div. and General Manager of the Licensing Dept.                               |
| Executive Officer | Yoshiharu Furumoto   | General Manager of the Corporate Planning Dept.  |
| Executive Officer | Jun Tamura           | General Manager of the Chubu Regional Sales & Marketing Div.   |
| Executive Officer | Hitoshi Maeda        | General Manager of the Planning Dept. of the Sales & Marketing Div.  |
| Executive Officer | Shinichi Narikawa    | President of the Logistics Div.  |
| Executive Officer | Tetsuo Iwasa         | General Manager of the General Affairs Dept.   |
| Executive Officer | Sukenori Koyabu      | General Manager of the National Sales & Marketing Div.   |
| Executive Officer | Etsuji Tawada        | General Manager of the Strategic Research & Development Dept. and the Central Laboratories for Frontier Technology |
| Executive Officer | Yoshihiko Tamaru     | General Manager of the Fukuoka Plant   |
| Executive Officer | Toshimi Akahori      | General Manager of the Sales Dept. of  |



| Title             | Name             | Position  |
|-------------------|------------------|---|
|                   |                  | the Sales & Marketing Div.                        |
| Executive Officer | Mamoru Yokomatsu | General Manager of the Finance & Accounting Dept. |
| Executive Officer | Yuji Owada       | General Manager of the Toride Plant               |

(9) **Remuneration paid to Directors and Statutory Auditors:**

| Title              | Number of persons | Amount (millions of yen) | Note   |
|--------------------|-------------------|--------------------------|--|
| Directors          | 10                | ¥355                     | The remuneration limit is ¥50 million per month (Decision of the 164 <sup>th</sup> Ordinary General Meeting of Shareholders on March 28, 2003) |
| Statutory Auditors | 4                 | ¥74                      | The remuneration limit is ¥7 million per month (Decision of the 149 <sup>th</sup> Ordinary General Meeting of Shareholders on April 28, 1988)  |
| <b>Total</b>       | <b>14</b>         | <b>¥429</b>              |  |

(Notes) 1. 10 Directors and 4 Statutory Auditors remain in their positions as of December 31, 2005.

2. In addition to the amount above, ¥117 million was paid to Directors and ¥11 million was paid to Statutory Auditors as bonuses by distribution of retained earnings.

(10) **Remuneration paid to Independent Accounting Auditors:**

|    |   |              |
|----|---|--------------|
| 1) | Total remuneration paid by the Company and its subsidiaries to the Independent Accounting Auditors (including the amount in 2) below)   | ¥183 million |
| 2) | Total remuneration paid by the Company and its subsidiaries to Independent Accounting Auditors for audit certification in accordance with Section 2, Paragraph 1 of the Certified Public Accountants Law (including the amount in 3) below) | ¥172 million |
| 3) | Total audit remuneration paid by the Company to the Independent Accounting Auditors   | ¥62 million  |

(Note) The audit agreement between the Independent Accounting Auditors and Company does not separately stipulate audit remunerations based on the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha" or the Securities Exchange Law. Hence, the remuneration in 3) above does not separate these two types of payment.

**(11) Material events subsequent to the closing of accounts:**

There is nothing to be stated.

(Note) Amounts and numbers of shares in this report are indicated by omitting fractions. Percentages are rounded to the nearest decimal.

## **BALANCE SHEET**

(As of December 31, 2005)

(millions of yen)

### **Assets**

#### **Current Assets**

**400,217**

|                                 |         |
|---------------------------------|---------|
| Cash                            | 147,578 |
| Notes receivable, trade         | 535     |
| Accounts receivable, trade      | 185,191 |
| Merchandise and Finished goods  | 10,882  |
| Semi-finished goods             | 8,252   |
| Raw materials and Supplies      | 12,965  |
| Short-term loans receivable     | 16,403  |
| Other accounts receivable       | 5,101   |
| Deferred tax assets             | 11,121  |
| Other                           | 3,878   |
| Allowance for doubtful accounts | (1,692) |

#### **Fixed Assets**

**1,112,297**

#### **Property, Plant and Equipment**

**365,079**

|                          |         |
|--------------------------|---------|
| Buildings                | 118,398 |
| Structures               | 16,909  |
| Machinery and equipment  | 105,116 |
| Vehicles                 | 268     |
| Tools                    | 11,507  |
| Land                     | 99,429  |
| Construction in progress | 13,449  |

#### **Intangible Assets**

**5,904**

|                  |       |
|------------------|-------|
| Leasehold rights | 433   |
| Trademarks       | 173   |
| Utility rights   | 5,297 |

#### **Investments and Other Assets**

**741,313**

|                                 |         |
|---------------------------------|---------|
| Investment securities           | 556,439 |
| Investments in subsidiaries     | 90,876  |
| Long-term loans receivable      | 15,908  |
| Life insurance investments      | 37,148  |
| Real estate in trust            | 3,201   |
| Other                           | 42,871  |
| Allowance for doubtful accounts | (5,132) |

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#### **Total Assets**

**1,512,515**

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Liabilities

|   |                         |
|---|-------------------------|
| <b>Current Liabilities</b>                                  | <b><u>378,582</u></b>   |
| Notes payable, trade  | 716                     |
| Accounts payable, trade                                     | 31,904                  |
| Short-term loans payable                                    | 69,589                  |
| Bonds due within one year                                   | 70,000                  |
| Liquor taxes payable  | 102,388                 |
| Other accounts payable                                      | 15,005                  |
| Consumption taxes payable                                   | 4,870                   |
| Income taxes payable  | 12,796                  |
| Accrued expenses  | 38,279                  |
| Deposits received   | 26,888                  |
| Deposits received for containers                            | 1,035                   |
| Other   | 5,107                   |
| <b>Long-term Liabilities</b>                                | <b><u>273,989</u></b>   |
| Bonds   | 40,000                  |
| Long-term debt  | 26,750                  |
| Deposits received   | 62,131                  |
| Deferred tax liabilities                                    | 54,877                  |
| Employees' pension and retirement benefits                  | 61,392                  |
| Retirement benefits for directors and<br>statutory auditors | 675                     |
| Reserve for loss on repurchase of land                      | 3,643                   |
| Reserve for losses on guarantees                            | 786                     |
| Other   | 23,733                  |
| <b>Total Liabilities</b>                                    | <b><u>652,571</u></b>   |
| Shareholders' Equity  |                         |
| <b>Common stock</b>   | <b><u>102,045</u></b>   |
| <b>Capital surplus</b>                                      | <b><u>70,999</u></b>    |
| Additional paid-in capital                                  | 70,868                  |
| Other capital surplus                                       | 130                     |
| Surplus from sale of treasury stock                         | 130                     |
| <b>Retained earnings</b>                                    | <b><u>596,148</u></b>   |
| Legal reserve   | 25,511                  |
| Voluntary earned surplus                                    | <u>490,540</u>          |
| Reserve for special depreciation                            | 693                     |
| Reserve for deferred gain on sale of property               | 13,028                  |
| Reserve for dividends                                       | 6,450                   |
| General reserve   | 470,367                 |
| Unappropriated retained earnings                            | 80,096                  |
| <b>Net unrealized holding gains on securities</b>           | <b>115,840</b>          |
| <b>Treasury stock</b>                                       | <b>(25,090)</b>         |
| <b>Total Shareholders' Equity</b>                           | <b><u>859,943</u></b>   |
| <b>Total Liabilities and Shareholders' Equity</b>           | <b><u>1,512,515</u></b> |

## STATEMENT OF INCOME

(From January 1, 2005 to December 31, 2005)

(millions of yen)

### Ordinary Income and Expenses

#### **Operating income and expenses**

|       |  |         |
|-------|--|---------|
| Sales |  | 935,621 |
|-------|--|---------|

|               |         |  |
|---------------|---------|--|
| Cost of sales | 630,464 |  |
|---------------|---------|--|

|  |         |         |
|--|---------|---------|
| Selling, general and administrative expenses | 247,001 | 877,466 |
|--|---------|---------|

|                         |  |               |
|-------------------------|--|---------------|
| <b>Operating income</b> |  | <b>58,154</b> |
|-------------------------|--|---------------|

#### **Non-operating income and expenses**

##### **Non-operating income**

|                              |        |  |
|------------------------------|--------|--|
| Interest and dividend income | 16,045 |  |
|------------------------------|--------|--|

|              |       |        |
|--------------|-------|--------|
| Other income | 4,897 | 20,943 |
|--------------|-------|--------|

##### **Non-operating expenses**

|                   |       |  |
|-------------------|-------|--|
| Interest expenses | 2,144 |  |
|-------------------|-------|--|

|                |       |       |
|----------------|-------|-------|
| Other expenses | 4,436 | 6,580 |
|----------------|-------|-------|

|                        |  |               |
|------------------------|--|---------------|
| <b>Ordinary income</b> |  | <b>72,517</b> |
|------------------------|--|---------------|

### Special Income and Expenses

#### **Special income**

|                              |       |  |
|------------------------------|-------|--|
| Gain on sale of fixed assets | 1,272 |  |
|------------------------------|-------|--|

|   |       |  |
|---|-------|--|
| Reversal of allowance for doubtful accounts | 2,152 |  |
|---|-------|--|

|                                       |       |  |
|---------------------------------------|-------|--|
| Gain on sale of investment securities | 1,614 |  |
|---------------------------------------|-------|--|

|  |    |       |
|--|----|-------|
| Gain on sale of shares of subsidiaries | 33 | 5,072 |
|--|----|-------|

#### **Special expenses**

|   |       |  |
|---|-------|--|
| Loss on sale and disposal of fixed assets | 3,473 |  |
|---|-------|--|

|  |       |  |
|--|-------|--|
| Loss on devaluation of investment securities | 1,533 |  |
|--|-------|--|

|                                       |    |  |
|---------------------------------------|----|--|
| Loss on sale of investment securities | 36 |  |
|---------------------------------------|----|--|

|  |     |  |
|--|-----|--|
| Loss on devaluation of investments in subsidiaries | 238 |  |
|--|-----|--|

|  |     |  |
|--|-----|--|
| Loss on sale of shares of subsidiaries | 122 |  |
|--|-----|--|

|   |     |       |
|---|-----|-------|
| Expense of reserve for losses on guarantees | 786 | 6,190 |
|---|-----|-------|

|                                   |  |               |
|-----------------------------------|--|---------------|
| <b>Income before income taxes</b> |  | <b>71,398</b> |
|-----------------------------------|--|---------------|

|                      |  |        |
|----------------------|--|--------|
| Income taxes—current |  | 21,000 |
|----------------------|--|--------|

|                       |  |       |
|-----------------------|--|-------|
| Income taxes—deferred |  | 6,512 |
|-----------------------|--|-------|

|                   |  |               |
|-------------------|--|---------------|
| <b>Net income</b> |  | <b>43,886</b> |
|-------------------|--|---------------|

|   |  |               |
|---|--|---------------|
| <b>Retained earnings brought forward from the prior fiscal year</b> |  | <b>42,907</b> |
|---|--|---------------|

|                            |  |              |
|----------------------------|--|--------------|
| <b>Dividends (interim)</b> |  | <b>6,696</b> |
|----------------------------|--|--------------|

|   |  |               |
|---|--|---------------|
| <b>Unappropriated retained earnings</b> |  | <b>80,096</b> |
|---|--|---------------|

## **Significant Accounting Policies**

### **1. Valuation of securities**

- (a) Equity securities issued by subsidiaries and affiliates are stated at cost determined by the moving-average method.
- (b) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using the moving-average method.
- (c) Available-for-sale securities without fair market value are stated at the moving-average cost.

### **2. Derivative financial instruments**

Derivative financial instruments are stated at fair value.

### **3. Valuation of inventories**

- (a) Merchandise, finished goods and semi-finished goods are stated at cost determined by the periodic average method.
- (b) Raw materials and supplies are stated at cost determined by the moving-average method.

### **4. Depreciation of property, plant and equipment**

Depreciation of property, plant and equipment is calculated using the declining-balance method, except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.

### **5. Method of providing major allowances and reserves**

#### **(1) Allowance for doubtful accounts**

The Company provides allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

#### **(2) Employees' pension and retirement benefits**

The Company provides allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the current fiscal year. Actuarial differences are amortized by the straight-line method over 15 years, beginning from the following fiscal year.

#### **(3) Retirement benefits for directors and statutory auditors**

Provision for retirement benefits for directors and statutory auditors represents 100% of such retirement benefit obligations as of the balance sheet date, calculated in accordance with policies of the Company.

(4) Reserve for loss on repurchase of land

The Company provides the reserve at an amount deemed necessary to cover the possible loss on repurchase of land, which was sold to the Organization for promoting Urban Development (the "Organization") in September 1998, leaving the right for the Organization to sell back the land to the Company on certain conditions. This is because it is deemed to be probable for the Organization to exercise the right considering the decline in price of the land.

(5) Reserve for losses on guarantees

The Company provides the reserve for the probable losses on guarantees of liabilities based on the financial position and other conditions of each company receiving such guarantees.

6. Hedge accounting

(a) If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

(b) If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, foreign currency receivables or payables are recorded at the contracted forward rates.

(c) If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

7. Consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

**Change in Accounting Policies**

1. Accounting method for real estate business

Until the year ended December 31, 2004, the Company recorded the net amount of rental income and expenses from real estate business as "Other income" in non-operating income. Effective from the current accounting period, the Company changed its accounting method for such rental income and expenses under which rental income and expenses are recorded as sales and cost of sales, respectively except that the income from other than rental property business such as the partial rental of its own premises is recorded as usual.

This change was made in order to establish a better presentation of the Company's results of operations by reflecting real estate business more appropriately in its financial statements, considering the increasing importance of this real estate business along with the commencement of business of the commercial facilities developed by old factory site and its business stability expected in the medium and long terms as well.

The effect of this change was to increase sales and cost of sales by ¥5,604 million and ¥3,604 million, respectively, and to increase operating income by ¥2,000 million for the year ended December 31, 2005 compared with what would have been recorded under the previous method. There is no effect on ordinary income and income before income taxes for the year ended December 31, 2005.

2. Accounting standard for employees' pension and retirement benefits

Effective from the current accounting period, the Company adopted new accounting standard for employees' pension and retirement benefits and related guidance (Accounting Standards Board Statement No.3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Accounting Standard Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits", issued by the Accounting Standards Board of Japan on March 16, 2005).

The effect on net income of the adoption of this new accounting standard is not material.

**Notes to the Balance Sheet**

1. Amounts are stated by omitting fractions less than ¥1 million.

2. Monetary debts due from and to subsidiaries

|   |                 |
|---|-----------------|
| Short-term monetary debts due from subsidiaries | ¥16,728 million |
| Long-term monetary debts due from subsidiaries  | ¥18,222 million |
| Short-term monetary debts due to subsidiaries   | ¥75,073 million |
| Long-term monetary debts due to subsidiaries    | ¥3,869 million  |

3. Accumulated depreciation of property, plant and equipment ¥586,368 million

4. Amount reduced from fixed assets due to government subsidy received and others ¥335 million

5. Assets pledged as collateral

|           |              |
|-----------|--------------|
| Buildings | ¥820 million |
| Land      | ¥439 million |



## 6. Employees' pension and retirement benefits

Reserve for employees' pension and retirement benefits at the balance sheet date and the plan assets of the employees' pension and retirement benefit trust (excluding unrecognized actuarial differences) offset against the reserve are stated below.

(millions of yen)

|   | Lump-sum<br>severance<br>payment | Corporate<br>pension<br>fund | Tax-qualifie<br>d pension<br>plan | Total  |
|---|----------------------------------|------------------------------|-----------------------------------|--------|
| Pension and retirement benefits   | 61,392                           | -                            | -                                 | 61,392 |
| Prepaid pension cost<br>(before addition of plan assets of the<br>pension and retirement benefit trust)         | -                                | 16,732                       | 3,177                             | 19,910 |
| Plan assets of the pension and<br>retirement benefit trust<br>(excluding unrecognized actuarial<br>differences) | -                                | 1,304                        | -                                 | 1,304  |
| Pension and retirement benefits   | 61,392                           | -                            | -                                 | 61,392 |
| Prepaid pension cost<br>(after addition of plan assets of the<br>pension and retirement benefit trust)          | -                                | 18,037                       | 3,177                             | 21,214 |

Prepaid pension cost is included in "Other" of "Investment and Other Assets".

## 7. Guarantees ¥9,808 million (including ¥239 million of arrangements which are similar to guarantees)

8. "Retirement benefits for directors and statutory auditors", "Reserve for loss on repurchase of land", and "Reserve for losses on guarantees" are reserves stipulated in Article 43 of the Enforcement Regulations of the Commercial Code of Japan.

## 9. Restriction on dividend distribution

Increase in net assets by revaluating assets at fair market value as stipulated in Article 124, item 3 of the Enforcement Regulations of the Commercial Code of Japan, which is restricted for dividend distribution. ¥115,840 million

## **Notes to the Statement of Income**

1. Amounts are stated by omitting fractions less than ¥1 million

2. Transactions with subsidiaries:

|   |                |
|---|----------------|
| Sales   | ¥8,125million  |
| Cost of sales                                 | ¥48,508million |
| Selling, general and administrative expenses  | ¥44,999million |
| Transactions other than business transactions | ¥25,317million |

3. Net income per share: ¥ 45.61

## **Additional Information**

1. Return of substitutional portion of Welfare Pension Insurance

Based on the enforcement of the Defined Benefit Corporate Pension Law, Kirin Brewery Employees' Pension Fund, established by the Company, received the approval from the Minister of Health, Labour and Welfare on November 1, 2004, for an exemption from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme. With the transfer of the minimum actuarial liability to the Government on September 8, 2005, the Company completed the procedures for transfer of the substitutional portion of its employees' pension fund plan. The effect on net income of this transfer was not material.

**PROPOSAL FOR APPROPRIATION OF**  
**UNAPPROPRIATED RETAINED EARNINGS**

|   |                            |
|---|----------------------------|
|   | (yen)                      |
| Unappropriated retained earnings  | 80,096,815,757             |
| Transfer from reserve for special depreciation                                | 188,649,033                |
| Transfer from reserve for deferred gain on sale of property                   | 249,996,409                |
| <hr/> Total   | <hr/> 80,535,461,199 <hr/> |
| The above unappropriated retained earnings are to be appropriated as follows: |                            |
| Cash dividends  | 7,172,514,233              |
| ¥7.5 per share  |                            |
| Bonuses to directors and statutory auditors                                   | 177,560,000                |
| (Statutory auditors' portion included in the above)                           | (12,100,000)               |
| Transfer to reserve for special depreciation                                  | 569,715,212                |
| Transfer to general reserve   | 24,000,000,000             |
| <hr/> Total   | <hr/> 31,919,789,445 <hr/> |
| Unappropriated retained earnings to be carried forward to the next year       | 48,615,671,754             |

(Notes)

1. On September 12, 2005, an interim dividend of ¥6,696,667,502 (¥7 per share) was paid.
2. Transfer from/to "Reserve for special depreciation" and transfer from "Reserve for deferred gain on sale of property" are pursuant to the Special Taxation Measures Law of Japan.

**Independent Auditors' Report**

February 15, 2006

The Board of Directors  
Kirin Brewery Company, Limited

KPMG AZSA & Co.

Kenji Sakurai (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Takaya Abe (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Fumio Koike (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the statutory report, that is the balance sheet, the statement of income, the business report (limited to accounting matters) and the proposal for appropriation of unappropriated retained earnings, and its supporting schedules (limited to accounting matters) of Kirin Brewery Company, Limited for the 167th business year from January 1, 2005 to December 31, 2005 in accordance with Article 2, Paragraph 1 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha". With respect to the aforementioned business report and supporting schedules, our audit was limited to those matters derived from the accounting books and records. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion. Our audit procedures also include those considered necessary for the Company's subsidiaries.

As a result of the audit, our opinion is as follows:

- (1) The balance sheet and the statement of income present fairly the financial position and the results of operations of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (2) As discussed in "Change in Accounting Policies", effective from this business year ended December 31, 2005, the Company changed its accounting method for rental income and expenses under which rental income and expenses are recorded as sales and cost of sales, respectively, with which we concur since this change was made in order to establish a better presentation of the Company's results of operations by reflecting real estate business more appropriately in its financial statements, considering the increasing importance of this real estate business along with the commencement of business of the commercial facilities developed by old factory site and its business stability expected in the medium and long terms as well.
- (3) The business report (limited to accounting matters) presents fairly the status of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (4) The proposal for appropriation of unappropriated retained earnings has been prepared in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (5) With respect to the supporting schedules (limited to accounting matters) there are no items to be noted that are not in conformity with the provisions of the Commercial Code.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Statutory Auditors' Report**

February 16, 2006

Mr. Koichiro Aramaki  
President  
Kirin Brewery Company, Limited

Board of Statutory Auditors  
Kirin Brewery Company, Limited

Tadahisa Kono (Seal)  
Standing Statutory Auditor

Motokazu Fujita (Seal)  
Standing Statutory Auditor

Toyoshi Nakano (Seal)  
Statutory Auditor

Teruo Ozaki (Seal)  
Statutory Auditor

We, the Board of Statutory Auditors of the Company, after receipt from each Statutory Auditor of his method and results of auditing the performance by Directors of their duties during the 167th business term from January 1, 2005 to December 31, 2005, prepared this audit report upon deliberation and hereby report as follows:

1. Outline of audit method by Statutory Auditors:

Each Statutory Auditor, in accordance with the audit policy, assignment of duties, etc., as determined by the Board of Statutory Auditors, attended meetings of the Board of Directors and other important meetings, debriefed Directors, etc. about state of performance of their duties, inspected important decision documents, etc., made investigation into the state of activities and property at the head office and other business offices of the Company, required its subsidiaries to render reports relating to their business operations and whenever necessity arose, visited its subsidiary or subsidiaries to make investigation into the state of activities and property thereof. We also received reports and explanation from the Independent Auditors on and accounts of their audit and examined the accounting documents and their accompanying detailed statements.

With respect to any competitive transactions by Directors, transactions involving conflicting interests between Directors and the Company, gratuitous offering of proprietary profit by the Company, transactions not customary in nature between the Company and its subsidiaries or shareholders, acquisition and disposition by the Company of its own shares, etc., we, in addition to following the aforementioned method, required Directors, etc. to render report on and made a full investigation into the state of the transaction in question, whenever necessary.

2. Results of audit:

We are of the opinion:

- (1) That the method and results of the audit made by the Independent Auditors, KPMG AZSA & Co. are proper;

- (2) That the business report fairly presents the state of the Company in accordance with the laws, regulations and the Articles of Incorporation;
- (3) That the proposition relating to the appropriation of unappropriated retained earnings has nothing to be pointed out in the light of the state of property of the Company and other circumstances;
- (4) That the accompanying detailed statements fairly present the matters to be stated therein and contain nothing to be pointed out; and
- (5) That in connection with the performance by Directors of their duties, including those relating to the subsidiaries, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists.

With respect to any competitive transactions by Directors, transactions involving conflicting interests between Directors and the Company, gratuitous offering of proprietary profit by the Company, transactions not customary in nature between the Company and its subsidiaries or shareholders, acquisition and disposition by the Company of its own shares, etc., we find that there is no breach of duties on the part of the Directors.

(Note) Statutory Auditors Messrs. Toyoshi Nakano and Teruo Ozaki are outside statutory auditors as provided for in Article 18, paragraph 1 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha".

## CONSOLIDATED BALANCE SHEET

(As of December 31, 2005)

(millions of yen)

### Assets

#### **Current Assets**

**594,855**

|                                      |         |
|--------------------------------------|---------|
| Cash                                 | 169,334 |
| Notes and accounts receivable, trade | 290,077 |
| Marketable securities                | 50      |
| Inventories                          | 94,156  |
| Deferred tax assets                  | 16,568  |
| Other                                | 27,219  |
| Allowance for doubtful accounts      | (2,551) |

#### **Fixed Assets**

**1,343,010**

#### **Property, Plant and Equipment**

**582,887**

|                                   |         |
|-----------------------------------|---------|
| Buildings and structures          | 191,182 |
| Machinery, equipment and vehicles | 172,252 |
| Land                              | 156,380 |
| Construction in progress          | 25,990  |
| Other                             | 37,081  |

#### **Intangible Assets**

**135,876**

|                           |        |
|---------------------------|--------|
| Goodwill                  | 22,509 |
| Consolidation differences | 38,412 |
| Other                     | 74,954 |

#### **Investments and Other Assets**

**624,247**

|                                 |         |
|---------------------------------|---------|
| Investment securities           | 516,757 |
| Long-term loans receivable      | 6,261   |
| Life insurance investments      | 37,193  |
| Deferred tax assets             | 15,757  |
| Other                           | 52,058  |
| Allowance for doubtful accounts | (3,781) |

---

#### **Total Assets**

**1,937,866**

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Liabilities**Current Liabilities****477,392**

|                                   |         |
|-----------------------------------|---------|
| Notes and accounts payable, trade | 107,436 |
| Short-term loans payable          | 18,269  |
| Bonds due within one year         | 69,900  |
| Liquor taxes payable              | 107,563 |
| Income taxes payable              | 20,270  |
| Accrued expenses                  | 79,479  |
| Deposits received                 | 29,318  |
| Other                             | 45,154  |

**Long-term Liabilities****408,580**

|   |         |
|---|---------|
| Bonds   | 106,241 |
| Long-term debt  | 54,236  |
| Deferred tax liabilities                                    | 62,443  |
| Deferred tax liability due to land revaluation              | 3,197   |
| Employees' pension and retirement benefits                  | 71,958  |
| Retirement benefits for directors and<br>statutory auditors | 1,268   |
| Reserve for repair and maintenance of vending machines      | 7,168   |
| Reserve for loss on repurchase of land                      | 3,643   |
| Reserve for losses on guarantees                            | 786     |
| Deposits received   | 72,507  |
| Other   | 25,127  |

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**Total Liabilities****885,972**

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**Minority Interests****79,292**

---



|  |          |
|--|----------|
| <u>Shareholders' Equity</u>                |          |
| Common stock                               | 102,045  |
| Capital surplus                            | 70,999   |
| Retained earnings                          | 730,226  |
| Land revaluation difference                | (4,713)  |
| Net unrealized holding gains on securities | 117,207  |
| Foreign currency translation adjustments   | (18,073) |
| Treasury stock                             | (25,091) |

---

|                                   |                |
|-----------------------------------|----------------|
| <b>Total Shareholders' Equity</b> | <b>972,601</b> |
|-----------------------------------|----------------|

---

|   |                  |
|---|------------------|
| <b>Total Liabilities, Minority Interests and Shareholders' Equity</b> | <b>1,937,866</b> |
|---|------------------|

---

# **CONSOLIDATED STATEMENT OF INCOME**

(From January 1, 2005 to December 31, 2005)

(millions of yen)

## **Ordinary Income and Expenses**

### **Operating income and expenses**

|  |         |           |
|--|---------|-----------|
| Sales  |         | 1,632,249 |
| Cost of sales                                | 973,920 |           |
| Selling, general and administrative expenses | 546,619 | 1,520,540 |

|                         |  |                |
|-------------------------|--|----------------|
| <b>Operating income</b> |  | <b>111,708</b> |
|-------------------------|--|----------------|

### **Non-operating income and expenses**

#### **Non-operating income**

|                                  |       |        |
|----------------------------------|-------|--------|
| Interest and dividend income     | 4,283 |        |
| Equity in earnings of affiliates | 8,495 |        |
| Other income                     | 6,038 | 18,817 |

#### **Non-operating expenses**

|                  |       |        |
|------------------|-------|--------|
| Interest expense | 9,231 |        |
| Other expenses   | 6,413 | 15,645 |

|                        |  |                |
|------------------------|--|----------------|
| <b>Ordinary income</b> |  | <b>114,881</b> |
|------------------------|--|----------------|

## **Special Income and Expenses**

### **Special income**

|  |       |       |
|--|-------|-------|
| Gain on sale of fixed assets   | 1,440 |       |
| Reversal of allowance for doubtful accounts  | 2,182 |       |
| Gain on sale of investment securities  | 1,633 |       |
| Gain on release from the substitutional portion of the government's welfare pension insurance scheme | 536   |       |
| Gain on sale of shares of subsidiaries and affiliates  | 8     | 5,802 |

### **Special expenses**

|   |       |        |
|---|-------|--------|
| Loss on disposal of fixed assets                      | 4,264 |        |
| Loss on sale of fixed assets                          | 605   |        |
| Loss on impairment                                    | 85    |        |
| Loss on devaluation of investment securities          | 1,466 |        |
| Loss on sale of investment securities                 | 55    |        |
| Business restructuring expense                        | 4,259 |        |
| Loss on sale of shares of subsidiaries and affiliates | 159   |        |
| Expense of reserve for losses on guarantees           | 786   | 11,682 |

|  |  |                |
|--|--|----------------|
| <b>Income before income taxes and minority interests</b> |  | <b>109,001</b> |
|--|--|----------------|

|                         |        |        |
|-------------------------|--------|--------|
| Income taxes — current  | 40,226 |        |
| Income taxes — deferred | 8,722  | 48,949 |
| Minority interests      |        | 8,788  |

|                   |  |               |
|-------------------|--|---------------|
| <b>Net income</b> |  | <b>51,263</b> |
|-------------------|--|---------------|

## **Significant Accounting Policies**

### **1. Scope of consolidation**

#### **(1) Consolidated subsidiaries: 257 companies**

Major consolidated subsidiaries: Kirin Beverage Corporation, Lion Nathan Ltd.

The changes of the scope of consolidation are as follows:

- (a) Due to new establishment, a subsidiary of Kirin Beverage Corporation became a consolidated subsidiary.
- (b) Due to new acquisition, 3 subsidiaries of Lion Nathan Ltd. became consolidated subsidiaries.
- (c) Due to new acquisition and establishment, 3 subsidiaries of Kirin Agribio EC B.V. and other 6 companies became consolidated subsidiaries.
- (d) Due to completion of liquidation, 25 subsidiaries of Lion Nathan Ltd. and 2 subsidiaries were excluded from the consolidation scope.
- (e) Due to sale of shares, 3 companies including Kirin Feed Limited were excluded from the consolidation scope.
- (f) Due to merger, 1 subsidiary of The Coca-Cola Bottling Company of Northern New England, Inc. and 1 subsidiary were excluded from the consolidation scope.

#### **(2) Major unconsolidated subsidiaries: Kirin Agribio USA, Inc.**

Certain subsidiaries including Kirin Agribio USA, Inc. were excluded from the consolidation scope because the effect of their sales, net income or losses, total assets and retained earnings on the accompanying consolidated financial statements are immaterial.

### **2. Application of equity method**

#### **(1) Unconsolidated subsidiaries accounted for by the equity method: None**

#### **(2) Affiliated companies accounted for by the equity method: 16 companies**

Major affiliated companies: Kinki Coca-Cola Bottling Co., Ltd., Yoneku Corporation,  
San Miguel Corporation

The changes of the scope of application of the equity method are as follows:

- (a) Due to new acquisition, an affiliate of Kirin (China) Investment Company, Limited became an affiliate accounted for by the equity method.
- (3) Certain investments in unconsolidated subsidiaries including Kirin Agribio USA, Inc. and affiliates including Diamond Sports Club Co., Ltd. were not accounted for by the equity method, and were stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements are immaterial.
- (4) Although the Company holds voting interest greater than 20% yet less than 50% in Societe Immobiliere Et Financiere Pour L'alimentation, the Company does not have significant influence over this entity. Therefore, the investment is not accounted for by the equity method.
- (5) Where fiscal year-ends of the affiliated companies accounted for by the equity method are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends and for the years then ended for applying the equity method. Where the difference between the Company's and an affiliates' year-end is more than 6 months, the Company used their interim financial statements that were for the most recent accounting periods and necessary adjustments were made for applying the equity method.

### **3. Fiscal year-ends of the consolidated subsidiaries**

The following table shows the consolidated subsidiaries whose fiscal year-ends are different from that of the Company.

| Consolidated subsidiaries             | Fiscal year-end |      |
|---------------------------------------|-----------------|------|
| Lion Nathan Ltd. and its subsidiaries | September 30    | (*i) |
| Twyford International Inc.            | September 30    | (*i) |
| Japan Potato Corporation              | September 30    | (*i) |

- (\*i) The Company used the financial statements of the companies as of their fiscal year-ends and for the years then ended for consolidation.
- (ii) Kirin Well-Foods Corporation has changed its fiscal year-end from November 30 to December 31.

With respect to (\*i), the Company made necessary adjustments for major transactions between the fiscal year-ends of the consolidated subsidiaries and fiscal year-end of the Company.

#### 4. Accounting policies

##### (1) Valuation of major assets

###### (a) Valuation of securities

- 1) Held-to-maturity debt securities are stated at amortized cost.
- 2) Available-for-sale securities with fair market value are stated at fair market value as of the balance sheet date. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using the moving-average method.
- 3) Available-for-sale securities without fair market value are stated at the moving-average cost.

###### (b) Derivative financial instruments

Derivative financial instruments are stated at fair value.

###### (c) Valuation of inventories

- 1) Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the periodic average method.
- 2) Raw materials, containers and supplies are mainly stated at cost determined by the moving-average method.
- 3) Construction in process is stated at cost determined by the specific identification method.

##### (2) Depreciation and amortization of fixed assets

###### (a) Depreciation of Property, Plant and Equipment

- 1) Depreciation is calculated using the declining-balance method except for buildings (excluding building fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.
- 2) Depreciation for several consolidated subsidiaries is calculated using the straight-line method.
- 3) Leased assets are depreciated over each lease term based on the straight-line method with the estimated residual value at the end of the lease term.

###### (b) Amortization of intangible assets

- 1) The Company and consolidated domestic subsidiaries amortize intangible assets using the straight-line method.
- 2) Consolidated overseas subsidiaries mainly adopt the straight-line method over 20 years.

##### (3) Method of providing major allowances and reserves

###### (a) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

(b) Employees' pension and retirement benefits

The Company and consolidated subsidiaries provide allowance for employees' pension and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the current fiscal year. Prior service cost is amortized on the straight-line method over mainly 15 years. Actuarial differences are amortized by the straight-line method over mainly 15 years, beginning from the following fiscal year.

(c) Retirement benefits for directors and statutory auditors

Provision for retirement benefits for directors and statutory auditors represents 100% of such retirement benefit obligations as of the balance sheet date calculated in accordance with policies of the Company and consolidated subsidiaries.

(d) Reserve for repair and maintenance of vending machines

Kirin Beverage Corporation and consolidated subsidiaries provide reserve for repair and maintenance of vending machines by estimating the necessary repair and maintenance cost in the future, allocating the costs over a five-year period. The actual expenditure was deducted from the balance of the reserve on the Consolidated Balance Sheet.

(e) Reserve for loss on repurchase of land

The Company provides the reserve at an amount deemed necessary to cover the possible loss on repurchase of land, which was sold to the Organization for promoting Urban Development (the "Organization") in September 1998, leaving the right for the Organization to sell back the land to the Company on certain conditions. This is because it is deemed to be probable for the Organization to exercise the right considering the decline in price of the land.

(f) Reserve for losses on guarantees

The Company provides the reserve for the probable losses on guarantees of liabilities based on the financial position and other conditions of each company receiving such guarantees.

(4) Hedge accounting

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

If forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(a) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

- 1) the difference, if any, between the amount in Japanese yen of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statement of income in the period which includes the inception date, and
- 2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the

- contract.
- (b) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Interest rate swaps that hedge transactions between consolidated companies are stated at fair values and the changes in the fair value are recognized as income or loss for the current fiscal year.

(5) Consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

5. Valuation of the assets and liabilities of consolidated subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired control of the respective subsidiaries.

6. Consolidation differences

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as consolidation differences in the consolidated balance sheet and amortized using the straight-line method over periods between 15 and 20 years. If the amount is small, it is fully recognized as expenses as incurred.

### **Change in Accounting Policies**

(1) Accounting method for real estate business

Until the year ended December 31, 2004, the Company recorded the net amount of rental income and expenses from real estate business as "Other income" in non-operating income. Effective from the current accounting period, the Company changed its accounting method for such rental income and expenses under which rental income and expenses are recorded as sales and cost of sales, respectively except that the income from other than rental property business such as the partial rental of its own premises is recorded as usual.

This change was made in order to establish a better presentation of the Company's results of operations by reflecting real estate business more appropriately in its financial statements, considering the increasing importance of this real estate business along with the commencement of business of the commercial facilities developed by old factory site and its business stability expected in the medium and long terms as well.

The effect of this change was to increase sales and cost of sales by ¥4,624 million and ¥2,973 million, respectively, and to increase operating income by ¥1,650 million, respectively, for the year ended December 31, 2005 compared with what would have been recorded under the previous method. There is no effect on ordinary income and income before income taxes and minority interests for the year ended December 31, 2005.

(2) Accounting standard for employees' pension and retirement benefits

Effective from the current accounting period, the Company adopted new accounting standard for employees' pension and retirement benefits and related guidance (Accounting Standards Board Statement No.3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Accounting Standard Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits", issued by the Accounting Standards Board of Japan on March 16, 2005).

The effect on net income of the adoption of this new accounting standard is not material.

**Notes to the Consolidated Balance Sheet**

1. Amounts are stated by omitting fractions less than ¥1 million.

2. Accumulated depreciation of Property, Plant and Equipment ¥847,933 million

3. Amount reduced from fixed assets due to government subsidy received and others ¥429 million

4. Assets pledged as collateral

|                                      |                 |
|--------------------------------------|-----------------|
| Notes and accounts receivable, trade | ¥16,493 million |
| Buildings and structures             | ¥1,688 million  |
| Machinery, equipment and vehicles    | ¥670 million    |
| Land                                 | ¥734 million    |
| Other of Intangible assets           | ¥66 million     |
| Total                                | ¥19,653 million |

5. Guarantees ¥12,000 million  
(including ¥149 million of arrangements which are similar to guarantees)

6. Shareholders' equity per share: ¥1,016.74

**Notes to the Consolidated Statement of Income**

1. Amounts are stated by omitting fractions less than ¥1 million

2. Business restructuring expense

Business restructuring expense represents premium on retirement benefits amounted to ¥2,380 million resulting from early retirement at 2 companies of consolidated subsidiaries and the expected loss amounted to ¥1,879 million on a basic sales agreement of the land and plant facilities that 1 consolidated subsidiary of Nutrient Food Business Company concluded along with its decision to shift main production functions of its flavoring business overseas as a part of strengthening its profitability.

3. Net income per share: ¥ 53.23

### **Additional Information**

#### **1. Return of substitutional portion of Welfare Pension Insurance**

Based on the enforcement of the Defined Benefit Corporate Pension Law, Kirin Brewery Employees' Pension Fund, established by the Company, received the approval from the Minister of Health, Labour and Welfare on November 1, 2004, for an exemption from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme. With the transfer of the minimum actuarial liability to the Government on September 8, 2005, the Company completed the procedures for transfer of the substitutional portion of its employees' pension fund plan. The effect on net income of this transfer was not material.



**Independent Auditors' Report**

February 15, 2006

The Board of Directors  
Kirin Brewery Company, Limited

KPMG AZSA & Co.

Kenji Sakurai (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Takaya Abe (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Fumio Koike (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the consolidated statutory report, that is the consolidated balance sheet and the consolidated statement of income of Kirin Brewery Company, Limited for the 167th business year from January 1, 2005 to December 31, 2005 in accordance with Article 19-2, Paragraph 3 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha". The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion. Our audit procedures also include those considered necessary for the Company's majority-owned subsidiaries and non-majority owned consolidated subsidiaries.

As a result of the audit, in our opinion, the consolidated statutory report referred to above presents fairly the consolidated financial position of Kirin Brewery Company, Limited and consolidated subsidiaries, and the consolidated results of their operations in conformity with related laws and regulations and the Articles of Incorporation of the Company.

As discussed in "Change in Accounting Policies", effective from this business year ended December 31, 2005, the Company changed its accounting method for rental income and expenses under which rental income and expenses are recorded as sales and cost of sales, respectively, with which we concur since this change was made in order to establish a better presentation of the consolidated results of operations by reflecting real estate business more appropriately in its financial statements, considering the increasing importance of this real estate business along with the commencement of business of the commercial facilities developed by old factory site and its business stability expected in the medium and long terms as well.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Statutory Auditors' Report**

February 16, 2006

Mr. Koichiro Aramaki  
President  
Kirin Brewery Company, Limited

Board of Statutory Auditors  
Kirin Brewery Company, Limited

Tadahisa Kono (Seal)  
Standing Statutory Auditor

Motokazu Fujita (Seal)  
Standing Statutory Auditor

Toyoshi Nakano (Seal)  
Statutory Auditor

Teruo Ozaki (Seal)  
Statutory Auditor

We, the Board of Statutory Auditors of the Company, after receipt from each Statutory Auditor of his method and results of auditing the performance by Directors of their duties during the 167th business year from January 1, 2005 to December 31, 2005, prepared this audit report upon deliberation and hereby report as follows:

1. Outline of audit method by Statutory Auditors:

Each Statutory Auditor, in accordance with the audit policy, assignment of duties, etc., as determined by the Board of Statutory Auditors, we received reports and explanation from the Directors, etc. and the Independent Auditors on and accounts of the consolidated statutory report and its audit. We also visited its subsidiary or subsidiaries to make investigation into the state of activities and property thereof, whenever necessity arose.

2. Results of audit:

We are of the opinion:

- (1) That the method and results of the audit made by the Independent Auditors, KPMG AZSA & Co. are proper;
- (2) That, as a result of the investigation into its subsidiary or subsidiaries, the consolidated statutory report has nothing to be pointed out.

(Note) Statutory Auditors Messrs. Toyoshi Nakano and Teruo Ozaki are outside statutory auditors as provided for in Article 18, paragraph 1 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha".

## Information Relating to the Exercise of Voting Rights

### 1. Total number of voting rights of all shareholders:

938,081 voting rights

### 2. Propositions and information:

**Proposition No.1:** Approval of the proposed appropriation of unappropriated retained earnings for the 167th business term.

In due consideration of the Company's current results, the dividend payout ratio, the future management measures, and the Company's practice of providing stable dividends to shareholders, management proposes the appropriation of unappropriated retained earnings as set forth in the attached document (page 35).

With regard to dividends, management proposes to pay an ordinary dividend of ¥7.5 per share, which is a ¥0.5 increase from the previous term. As a result, the annual dividend will amount to ¥14.5 per share, which is a ¥1 increase from the previous term, including an interim dividend of ¥7 per share.

Management proposes to pay bonuses of ¥177,560,000 to Directors and Statutory Auditors.

**Proposition No. 2:** Partial amendments to the Articles of Incorporation.

#### 1. Reasons for the amendments

- (1) In order to adopt a liability exemption system for Directors and Statutory Auditors by resolution of the Board of Directors, Article 29 and Article 39 will be newly established so that Directors and Statutory Auditors can sufficiently fulfill their expected roles. The full consent of all the Statutory Auditors has been obtained with respect to the addition of this Article 29.
- (2) The "Company Law" (Law No.86 of 2005) and the "Law Concerning the Coordination, etc., of Associated Laws in Connection with the Enforcement of the Company Law" (Law No.87 of 2005) were enacted on July 26, 2005. To respond to this enactment, the Company proposes the insertion of an additional Article 27(2) to adopt a system of *shomen ketsugi* by which the board of directors will be allowed to approve resolutions by written vote. The Company also proposes necessary amendments to the Articles of Incorporation (including certain additions to and deletions of Articles, alterations of terms and cited Articles in related provisions), and revisions of certain wordings and expressions.
- (3) Along with the above amendments, Article 6 and subsequent Articles will be renumbered accordingly.
- (4) Article 1 of the Supplementary Provisions to the current Articles of Incorporation is deleted as effective dates have already lapsed.

Amendments to the Articles of Incorporation, (2) and (3) above, shall be effective on the date of enforcement of the Company Law. Since amendment (1) above becomes effective as soon as this proposition is approved, for the period from the approval date of the proposition to the day before the date of enforcement of the Company Law, proposed amendment Articles 28 and 38 will be inserted in place of Articles 25 and 33 and the numbering of Article 25 and under in the current Articles of Incorporation will be moved down accordingly in order of sequence.

## 2. Details of the amendments

The details of the amendments in the Articles of Incorporation are as follows:  
(The underlined parts are amended. Note: The underlined parts with asterisk (\*) show where the original Japanese text is amended due to changes in the statutory wordings. However, there are no changes to the English wording as the meaning of the original remains the same. )

| Current Text   | Proposed Text  |
|--|--|
| Chapter II Shares  | Chapter II Shares  |
| Article 5 <u>The total number of shares authorized to be issued by the Company shall be 1,732,026,000 shares; provided, however, that in the event that shares are cancelled, the number of shares so cancelled shall be subtracted from the total number of shares so authorized.</u>   | Article 5 <u>The total number of shares authorized to be issued*</u> by the Company shall be 1,732,026,000 shares.<br>(Deleted)  |
| [Newly Added]  | <u>Article 6 The Company shall issue share certificates for the shares.</u>  |
| <u>Article 6</u> In accordance with the provisions of <u>Article 211-3(1)(2) of the Commercial Code</u> , the Company may, <u>subject to</u> a resolution of the Board of Directors of the Company, <u>purchase</u> treasury stock.  | <u>Article 7</u> In accordance with the provisions of <u>Article 165(2) of the Company Law</u> , the Company may, <u>by</u> a resolution of the Board of Directors of the Company, <u>acquire</u> treasury stock.  |
| <u>Article 7</u> <u>The number of shares to constitute one-unit of shares of the Company shall be 1,000.</u><br>The Company shall issue no certificates for shares constituting <u>less than one-unit of shares</u> ("less-than-one-unit shares"); provided, however, that the Company may issue such certificates if considered necessary by the Company for the benefit of its shareholders. | <u>Article 8</u> <u>The number of shares to constitute a Company-specified share unit (Tangen-kabu) shall be 1,000.</u><br>The Company shall issue no certificates for shares constituting <u>less than one Company-specified share unit</u> ; provided, however, that the Company may issue such certificates if considered necessary by the Company for the benefit of its shareholders. |

| Current Text   | Proposed Text   |
|--|---|
| <p><u>Article 8</u> Shareholders (including beneficial shareholders; the same applies hereafter) who possess less-than-one-unit shares of the Company may request the Company <u>to sell the amount of less-than-one-unit shares required to constitute one unit of shares.</u></p>  | <p><u>Article 9</u> Shareholders (including beneficial shareholders; the same applies hereafter) holding less than one Company-specified share unit may request the Company <u>to sell the number of shares that will, together with such less than one Company-specified share unit, constitute one Company-specified share unit.</u></p>  |
| <p><u>Article 9</u> The denominations of share certificates, <u>registration of a transfer of shares, registration of a pledge, indication of trust property, reissue of share certificates, entries or recordation in the register of beneficial shareholders and the register of lost share certificates, purchase of less-than-one-unit shares from shareholders and sale of the less-than-one-unit shares to shareholders to create one unit, and other procedures relating to shares and the fees therefor</u> shall be governed by the Share Handling Regulations to be established by the Board of Directors.</p>   | <p><u>Article 10</u> The denominations of share certificates, <u>procedures relating to shares, and stock acquisition rights together with the fees therefor</u> shall be governed by <u>the relevant laws or the Articles of Incorporation of the Company and the Share Handling Regulations</u> to be established by the Board of Directors.</p>  |
| <p><u>Article 10</u> The Company shall have a <u>transfer agent with respect to shares.</u> <u>The transfer agent</u> and its business office shall be <u>selected</u> by resolution of the Board of Directors and public notice shall be given thereof.</p> <p>The register of shareholders (including the register of beneficial shareholders; the same applies hereinafter) <u>and the register of lost share certificates of the Company shall be kept at the business office of the transfer agent and the registration of a transfer of shares, registration of a pledge, indication of trust property, delivery of share certificates, acceptance of notifications, entries or recordation in the register of beneficial shareholders and the register of lost share certificates, purchase of less-than-one-unit shares from shareholders and sale of the less-than-one-unit shares to shareholders to create one unit, and other business relating to shares shall be handled by the transfer agent and not by the Company.</u></p> | <p><u>Article 11</u> The Company shall have a <u>transfer agent with respect to shares.*</u> <u>The transfer agent*</u> and its business office shall be <u>determined</u> by resolution of the Board of Directors and public notice shall be given thereof.</p> <p><u>The preparation and maintenance of the register of shareholders (including the register of beneficial shareholders; the same applies hereinafter), the register of lost share certificates and the register of stock acquisition rights of the Company and other businesses relating to shares and stock acquisition rights shall be entrusted to the transfer agent and not handled by the Company.</u></p> |

| Current Text  | Proposed Text   |
|---|---|
| <p><u>Article 11</u> Shareholders or their legal representatives shall file in accordance with the Share Handling Regulations notification of their names or trade names, addresses and seals; provided, however, that foreigners may substitute specimen signatures for seals.</p> <p>Shareholders or their legal representatives residing in foreign countries shall establish their provisional addresses or agents in Japan and file notification of such addresses or agents in accordance with the Share Handling Regulations.</p> <p>The same notification requirements shall apply in case of any change in any of the matters referred to in the preceding two paragraphs.</p> <p>The provisions of the preceding three paragraphs shall apply mutatis mutandis to <u>registered pledgees</u>.</p> <p><u>Article 12</u> The Company shall treat the shareholders appearing or recorded in the final register of shareholders as of December 31 in each year as the shareholders <u>entitled to exercise</u> their rights at the ordinary general meeting of shareholders.</p> <p>If it is necessary, in addition to the case of the preceding paragraph or other cases provided for in the Articles of Incorporation, the Company may, upon giving prior public notice, set a certain date and treat the shareholders or the <u>registered pledgees</u> appearing or recorded in the register of shareholders as of such date as the shareholders or the pledgees <u>entitled to exercise</u> their rights as such.</p> <p>Chapter III General Meeting of Shareholders</p> | <p><u>Article 12</u> Shareholders or their legal representatives shall file, in accordance with the Share Handling Regulations, notifications of their names or trade names, addresses and seals; provided, however, that foreigners may substitute specimen signatures for seals.</p> <p>Shareholders or their legal representatives residing in foreign countries shall establish their provisional addresses or agents in Japan and file notification of such addresses or agents in accordance with the Share Handling Regulations.</p> <p>The same notification requirements shall apply in case of any change in any of the matters referred to in the preceding two paragraphs.</p> <p>The provisions of the preceding three paragraphs shall apply mutatis mutandis to <u>registered share pledgees</u>.</p> <p><u>Article 13</u> The Company shall treat the shareholders appearing or recorded in the final register of shareholders as of December 31 of each year as the shareholders <u>entitled to exercise*</u> their rights at the ordinary general meeting of shareholders.</p> <p>If it is necessary, in addition to the case of the preceding paragraph or other cases set forth in the Articles of Incorporation, the Company may, upon giving prior public notice, set a certain date and treat the shareholders or the <u>registered share pledgees</u> appearing or recorded in the register of shareholders as of such date as the shareholders or the pledgees <u>entitled to exercise*</u> their rights as such.</p> <p>Chapter III General Meeting of Shareholders</p> |

| Current Text  | Proposed Text   |
|---|---|
| <p><u>Article 13</u> The ordinary general meeting of shareholders shall be convened in March in each year.<br/>Extraordinary general meetings of shareholders shall be convened whenever necessary.<br/>(Newly added)</p>   | <p><u>Article 14</u> The ordinary general meeting of shareholders shall be convened in March of each year.<br/>Extraordinary general meetings of shareholders shall be convened whenever necessary.<br/><u>The general meeting of shareholders shall be convened in the wards of the Metropolis of Tokyo.</u></p>   |
| <p><u>Article 14 – Article 15</u><br/>(Provisions omitted)</p>  | <p><u>Article 15 – Article 16</u><br/>(Unchanged)</p>   |
| <p><u>Article 16</u> Unless otherwise provided for in laws, ordinances or the Articles of Incorporation, resolution of a general meeting of shareholders shall be <u>adopted</u> by a majority of the shareholders present.<br/>Resolution of a general meeting of shareholders as provided for in <u>Article 343 of the Commercial Code</u> shall be <u>adopted</u>, at such meeting at which shareholders holding 1/3 or more of the voting rights of <u>all the shareholders shall be present</u>, by 2/3 or more of the voting rights of the shareholders so present.</p> | <p><u>Article 17</u> Unless otherwise provided for in laws, ordinances, or the Articles of Incorporation, the resolutions of a general meeting of shareholders shall be <u>adopted*</u> by a majority of the shareholders present.<br/>Resolutions of a general meeting of shareholders as provided for in <u>Article 309(2) of the Company Law</u> shall be <u>adopted*</u>, at such meeting at which shareholders holding 1/3 or more of the voting rights of <u>all shareholders entitled to exercise their voting rights are present</u>, by 2/3 or more of the voting rights of the shareholders so present.</p> |
| <p><u>Article 17</u> The gist of the proceedings and the actions taken at a general meeting of shareholders shall be recorded in minutes <u>and the chairman of the meeting and the Directors present shall affix their names and seals thereto</u>, and such minutes shall be kept at the Company.</p>   | <p><u>Article 18</u> The gist of the proceedings and the actions taken at a general meeting of shareholders <u>and other matters provided by relevant laws</u> shall be recorded in minutes, and such minutes shall be kept at the Company.</p>   |
| <p>Chapter IV Directors and Board of Directors<br/><br/>(Newly added)</p>   | <p>Chapter IV Directors and Board of Directors<br/><br/><u>Article 19 The Company shall establish a Board of Directors</u></p>  |
| <p><u>Article 18</u><br/>(Provisions omitted)</p>   | <p><u>Article 20</u><br/>(Unchanged)</p>  |

| Current Text   | Proposed Text   |
|--|---|
| <p><u>Article 19</u> Directors shall be elected at a general meeting of shareholders.</p> <p>For the purpose of election under the preceding paragraph, the presence of holders of 1/3 or more of the voting rights <u>of all the shareholders shall be required.</u></p> <p>No cumulative voting shall be used for the election of Directors.</p>   | <p><u>Article 21</u> Directors shall be elected at a general meeting of shareholders.</p> <p>For the purpose of election under the preceding paragraph, the presence of holders of 1/3 or more of the voting rights <u>held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders so present shall be required.</u></p> <p>No cumulative voting shall be used for the election of Directors.</p> |
| <p><u>Article 20</u> The term of office of Directors shall expire at the close <u>of</u> the ordinary general meeting of shareholders relating to <u>the closing of accounts last to occur within 1 year after their assumption of office; provided, however, that the term of office of Directors elected to fill the vacancies created by the retirement of Directors before expiration of their term of office shall expire at such time as the term of office of the retired Directors would have expired.</u></p> | <p><u>Article 22</u> The term of office of Directors shall expire at the close <u>of*</u> the ordinary general meeting of shareholders relating to <u>the last fiscal year that closes within 1 year after the election.</u></p> <p>(Deleted)</p>   |
| <p><u>Article 21</u> The remuneration <u>for Directors and retirement payments to retiring Directors</u> shall be subject to the resolution of a general meeting of shareholders.</p>  | <p><u>Article 23</u> The remuneration, bonuses and any other proprietary benefits <u>to be paid to Directors by the Company in consideration for their performance of duty (hereinafter referred to as "remunerations")</u> shall be subject to the resolution of a general meeting of shareholders.</p>  |
| <p><u>Article 22</u><br/>(Provisions omitted)</p>  | <p><u>Article 24</u><br/>(Unchanged)</p>  |
| <p><u>Article 23</u> The Board of Directors may, <u>by</u> its resolution, appoint one Chairman of the Board and one President, and appoint several Vice Presidents, Senior Managing Directors and Managing Directors.</p> <p>The President shall represent the Company.</p> <p>In addition to the preceding paragraph, the Board of Directors may, <u>by</u> its resolution, <u>appoint</u> one or more other Directors to represent the Company.</p>   | <p><u>Article 25</u> The Board of Directors may, <u>by*</u> its resolution, appoint one Chairman of the Board and one President, and appoint several Vice Presidents, Senior Managing Directors and Managing Directors.</p> <p>The President shall represent the Company.</p> <p>In addition to the preceding paragraph, the Board of Directors may, <u>by*</u> its resolution, <u>select</u> one or more other Directors to represent the Company.</p>         |



| Current Text   | Proposed Text   |
|--|---|
| <p><u>Article 24</u><br/>(Provisions omitted)</p>  | <p><u>Article 26</u><br/>(Unchanged)</p>  |
| <p>(Newly added)</p>   | <p><u>Article 27 The resolution of the Board of Directors shall be made by a majority of the Directors present when a majority of the Directors entitled to participate in the vote are present.</u><br/> <u>Propositions relating to matters to be resolved by the Board of Directors shall be deemed to have been resolved by the Board of Directors if all the Directors (limited to those Directors entitled to participate in the vote) agreed in writing or by electromagnetic means; provided, however, that a proposition shall not be deemed to be resolved if any of the Statutory Auditors objected to such proposition.</u></p> |
| <p>(Newly added)</p>   | <p><u>Article 28 The Company may, by resolution of the Board of Directors, exempt any Director (including former Directors) from liabilities to the extent provided in laws or ordinances.</u></p>  |
| <p>Chapter V Statutory Auditors and Board of Statutory Auditors</p>  | <p>Chapter V Statutory Auditors and Board of Statutory Auditors</p>   |
| <p>(Newly added)</p>   | <p><u>Article 29 The Company shall appoint Statutory Auditors and establish a Board of Statutory Auditors.</u></p>  |
| <p><u>Article 25</u><br/>(Provisions omitted)</p>  | <p><u>Article 30</u><br/>(Unchanged)</p>  |
| <p><u>Article 26 Statutory Auditors shall be elected at a general meeting of shareholders.</u><br/> <u>For the purpose of election under the preceding paragraph, the presence of holders of 1/3 or more of the voting rights of all the shareholders shall be required.</u></p> | <p><u>Article 31 Statutory Auditors shall be elected at a general meeting of shareholders.</u><br/> <u>For the purpose of election under the preceding paragraph, the presence of holders of 1/3 or more of the voting rights held by all shareholders entitled to exercise their voting rights and a majority of the voting rights of the shareholders so present shall be required.</u></p>   |

| Current Text  | Proposed Text  |
|---|--|
| <p><u>Article 27</u> The term of office of Statutory Auditors shall expire at the close of the ordinary general meeting of shareholders relating to <u>the closing of accounts last to occur within 4 years after their assumption of office</u>; provided, however, that the term of office of Statutory Auditors elected to fill the vacancies created by the retirement of Statutory Auditors before expiration of their term of office <u>shall expire</u> at such time as the term of office of the retired Statutory Auditors would have expired.</p> | <p><u>Article 32</u> The term of office of Statutory Auditors shall expire at the close of* the ordinary general meeting of shareholders relating to <u>the last fiscal year that closes within 4 years after the election</u>; provided, however, that the term of office of Statutory Auditors elected to fill the vacancies created by the retirement of Statutory Auditors before expiration of their term of office <u>will expire</u> at such time as the term of office of the retired Statutory Auditors would have expired.</p> |
| <p><u>Article 28</u> <u>The remuneration for Statutory Auditors and retirement payments to retiring Statutory Auditors</u> shall be subject to the resolution of a general meeting of shareholders.</p>   | <p><u>Article 33</u> <u>The remunerations to Statutory Auditors</u> shall be subject to the resolution of a general meeting of shareholders.</p>   |
| <p><u>Article 29</u> The Board of Statutory Auditors shall be composed of Statutory Auditors. The Board shall have the functions provided for in laws or ordinances and shall also, <u>by</u> its resolution, be entitled to determine matters relating to the execution of duties of Statutory Auditors; provided, however, that the Board shall not interfere with the exercise of functions of Statutory Auditors.</p>   | <p><u>Article 34</u> The Board of Statutory Auditors shall be composed of Statutory Auditors. The Board shall have the functions provided for in laws or ordinances and shall also, <u>by*</u> its resolution, be entitled to determine matters relating to the execution of duties of Statutory Auditors; provided, however, that the Board shall not interfere with the exercise of functions of Statutory Auditors.</p>   |
| <p><u>Article 30</u> <u>Statutory Auditors shall, by mutual election, appoint a standing Statutory Auditor(s) from among their members.</u></p>   | <p><u>Article 35</u> <u>The Board of Statutory Auditors shall select a standing Statutory Auditor(s) from among the Statutory Auditors.</u></p>  |
| <p><u>Article 31</u><br/>(Provisions omitted)</p>   | <p><u>Article 36</u><br/>(Unchanged)</p>   |
| <p>(Newly added)</p>  | <p><u>Article 37</u> <u>The resolutions of the Board of Statutory Auditors shall be made by a majority of Statutory Auditors.</u></p>  |
| <p>(Newly added)</p>  | <p><u>Article 38</u> <u>The Company may, by resolution of the Board of Directors, exempt any Auditor (including former Auditors) from liabilities to the extent provided in laws or ordinances.</u></p>  |

| Current Text   | Proposed Text  |
|--|--|
| (Newly added)  | <u>Chapter VI Accounting Auditors</u>  |
| (Newly added)  | <u>Article 39 The Company shall have accounting auditors.</u>  |
| (Newly added)  | <u>Article 40 The accounting auditors shall be elected at the general shareholders meetings.</u>   |
| (Newly added)  | <u>Article 41 The term of office of accounting auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last fiscal year that closes within 1 year after the election.</u><br><u>Unless otherwise resolved at the ordinary general meeting of shareholders provided in the preceding paragraph, accounting auditors shall be deemed to be re-elected at such ordinary general meeting of shareholders.</u>   |
| Chapter <u>VI</u> Accounts   | Chapter <u>VII</u> Accounts  |
| <u>Article 32 The business year of the Company shall commence on January 1 and end on December 31 in each year.</u>  | <u>Article 42 The fiscal year of the Company shall commence on January 1 and end on December 31 of each year.</u>  |
| <u>Article 33 The profit for each business year shall be appropriated with the resolution of the general meeting of shareholders and dividends shall be paid to the shareholders or registered pledgees appearing or recorded in the final register of shareholders as of the last day of each business year.</u><br><u>By resolution of the Board of Directors, the Company may make cash distribution as provided for in Articles 293-5 of the Commercial Code (hereinafter referred to as "interim dividends") to the shareholders or registered pledgees appearing or recorded in the final register of shareholders as of June 30 in each year.</u> | <u>Article 43 The Company shall, by resolution of the general meeting of shareholders, appropriate dividends of retained earnings and pay the same to the shareholders or registered share pledgees appearing or recorded in the final register of shareholders as of the last day of each fiscal year.</u><br><u>By* resolution of the Board of Directors, the Company may pay interim dividends to the shareholders or registered share pledgees appearing or recorded in the final register of shareholders as of June 30 of each year.</u> |

| Current Text  | Proposed Text  |
|---|--|
| <p><u>Article 34</u> The Company shall be relieved of the obligation to pay <u>any dividends or interim dividends</u> upon expiration of 5 years following the day on which such dividend became due and payable.</p> <p><u>Dividends and interim dividends</u> shall bear no interest.</p>           | <p><u>Article 44</u> The Company shall be relieved of the obligation to pay <u>any dividends of retained earnings (including interim dividends; the same applies hereafter)</u> upon expiration of 5 years following the day on which such dividend became due and payable.</p> <p><u>Dividends of retained earnings</u> shall bear no interest.</p> |
| <p>Supplementary Provisions</p> <p><u>Article 1. Introduction of Article 8 and amendment of Article 9, Article 10 and Article 11 concerning additional purchases by shareholders of less-than-one-unit shares of these Articles of Incorporation shall become effective as of March 31, 2004.</u></p> | <p>(Deleted)</p>   |

**Proposition No. 3:** Election of 10 Directors.

Upon the close of this Ordinary General Meeting of Shareholders, the term of office of all 10 directors will expire.

Accordingly, shareholders are requested to elect 10 directors.

The candidates for the positions of Director are as follows:

| No. | Name<br>(Date of birth)                    | Profile<br>(Representation of other companies)   | Number of<br>shares of the<br>common stock<br>of the Company<br>held by the<br>candidate |
|-----|--|--|--|
| 1.  | Koichiro Aramaki<br>(November 15,<br>1939) | <div>April 1964      Joined Kirin Brewery<br/>Company, Limited</div> <div>March 1990      Deputy General<br/>Manager of the<br/>Pharmaceutical Div.</div> <div>March 1994      Director and Deputy<br/>General Manager of the<br/>Pharmaceutical Div.</div> <div>May 1995      Director and General<br/>Manager of the<br/>Pharmaceutical Div.</div> <div>March 1997      Managing Director and<br/>General Manager of the<br/>Pharmaceutical Div.</div> <div>March 1999      Senior Managing<br/>Director and General<br/>Manager of the<br/>Pharmaceutical Div.</div> <div>January 2001      Senior Managing<br/>Director and President<br/>of the Pharmaceutical<br/>Div.</div> <div>March 2001      Representative Director<br/>and President (positions<br/>which he continues to<br/>hold)</div> | 73,458 shares  |
| 2.  | Naomichi Asano<br>(February 19,<br>1941)   | <div>April 1965      Joined Kirin Brewery<br/>Company, Limited</div> <div>March 1993      General Manager of the<br/>Finance &amp; Accounting<br/>Dept.</div> <div>November 1995      General Manager of the<br/>International Beer Div.</div> <div>March 1996      Director and General<br/>Manager of the</div>  | 49,000 shares  |

|    |   |   |   |               |
|----|---|---|---|---------------|
|    |   | <p>March 1998<br/>January 2001</p> <p>March 2002</p> <p>March 2003</p> <p>March 2004</p>  | <p>International Beer Div.<br/>Managing Director<br/>Managing Director and<br/>President of the<br/>International Beer Div.<br/>Senior Managing<br/>Director and President<br/>of the International<br/>Beer Div.<br/>Senior Managing<br/>Director and Senior<br/>Executive Officer<br/>Representative Director<br/>and Executive Vice<br/>President<br/>(positions which he<br/>continues to hold)</p>   |               |
| 3. | Kazuyasu Kato<br>(November 24,<br>1944) | <p>April 1968</p> <p>March 1997</p> <p>March 2000</p> <p>October 2001</p> <p>March 2002</p> <p>March 2003</p> <p>March 2004</p> | <p>Joined Kirin Brewery<br/>Company, Limited<br/>General Manager of the<br/>Hokkaido Regional<br/>Head Office<br/>Director and General<br/>Manager of the Kyushu<br/>Regional Head Office<br/>Director and General<br/>Manager of the Sales<br/>Dept. of the Sales &amp;<br/>Marketing Div.<br/>Director, Vice President<br/>of the Sales &amp;<br/>Marketing Div., and<br/>General Manager of the<br/>Sales Dept. of the Sales<br/>&amp; Marketing Div.<br/>Managing Executive<br/>Officer and President of<br/>the Sales &amp; Marketing<br/>Div.<br/>Managing Director,<br/>Managing Executive<br/>Officer, and President<br/>of the Sales &amp;<br/>Marketing Div.<br/>(positions which he<br/>continues to hold)</p> | 46,425 shares |
| 4. | Takeshi Shimazu<br>(April 26, 1945)     | <p>April 1968</p>   | <p>Joined Kirin Brewery<br/>Company, Limited</p>  | 32,665 shares |

|    |   |            |  |               |
|----|---|------------|--|---------------|
|    |   | March 1999 | General Manager of the Hokuriku Plant  |               |
|    |   | March 2002 | Director and General Manager of the Toride Plant   |               |
|    |   | March 2003 | Executive Officer and General Manager of the Toride Plant  |               |
|    |   | March 2004 | Managing Director and Managing Executive Officer<br>(positions which he continues to hold)             |               |
| 5. | Kazuhiro Satoh<br>(February 14, 1948)   | April 1970 | Joined Kirin Brewery Company, Limited  |               |
|    |   | March 2000 | General Manager of the Finance & Accounting Dept.  |               |
|    |   | March 2002 | Director and General Manager of the Finance & Accounting Dept.   |               |
|    |   | March 2003 | Executive Officer and General Manager of the Finance & Accounting Dept.                                | 17,000 shares |
|    |   | March 2004 | Managing Director and Managing Executive Officer<br>(positions which he continues to hold)             |               |
| 6. | Koichi Matsuzawa<br>(December 13, 1948) | April 1973 | Joined Kirin Brewery Company, Limited  |               |
|    |   | March 2002 | General Manager of the Hokuriku Plant  |               |
|    |   | March 2003 | General Manager of the Production & Quality Control Dept. of the Production Div.                       |               |
|    |   | March 2004 | Executive Officer and General Manager of the Production & Quality Control Dept. of the Production Div. | 6,457 shares  |
|    |   | March 2005 | Managing Executive Officer and General Manager of the Production & Quality Control Dept. of the        |               |

|    |                                     |  |   |               |
|----|-------------------------------------|--|---|---------------|
|    |                                     |  | Production Div.<br>(positions which he continues to hold)   |               |
| 7. | Tomohiro Mune<br>(November 4, 1948) | April 1972<br>March 1999<br>March 2002<br>March 2004   | Joined Kirin Brewery Company, Limited<br>General Manager of the Sales & Marketing Dept. of the Pharmaceutical Div.<br>General Manager of the Personnel Dept.<br>Executive Officer and General Manager of the Personnel Dept.<br>(positions which he continues to hold)  | 10,000 shares |
| 8. | Kenjiro Hata<br>(July 27, 1928)     | May 1954<br>April 1990<br>April 1998<br>March 1999<br>July 2003<br>January 2004<br>December 2005 | Joined The Meiji Mutual Life Insurance Company<br>President and Representative Director of The Meiji Mutual Life Insurance Company<br>Chairman and Representative Director of The Meiji Mutual Life Insurance Company<br>Director of Kirin Brewery Company, Limited (a position which he continues to hold)<br>Advisor of The Meiji Mutual Life Insurance Company<br>Advisor of Meiji Yasuda Life Insurance Company<br>Senior Advisor of Meiji Yasuda Life Insurance Company (an office which he holds now) | 5,000 shares  |
| 9. | Satoru Kishi<br>(March 29, 1930)    | April 1953<br>February 1992  | Joined The Mitsubishi Bank Limited<br>Executive Vice  | 0 shares      |



|     |                                 |              |  |          |
|-----|---------------------------------|--------------|--|----------|
|     |                                 | April 1996   | President and Representative Director of The Mitsubishi Bank Limited                       |          |
|     |                                 | January 1998 | Executive Vice President and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd. |          |
|     |                                 | March 1999   | President and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd.                |          |
|     |                                 | June 2000    | Director of Kirin Brewery Company, Limited (a position which he continues to hold)         |          |
|     |                                 | June 2002    | Chairman and Representative Director of The Bank of Tokyo-Mitsubishi, Ltd.                 |          |
|     |                                 | January 2006 | Senior Advisor of The Bank of Tokyo-Mitsubishi, Ltd.                                       |          |
|     |                                 |              | Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (an office which he holds now)    |          |
| 10. | Akira Genma<br>(August 1, 1934) | April 1959   | Joined Shiseido Company, Limited   | 0 shares |
|     |                                 | June 1997    | President & Representative Director of Shiseido Company, Limited                           |          |
|     |                                 | June 2001    | Chairman and Representative Director of Shiseido Company, Limited                          |          |
|     |                                 | June 2003    | Adviser of Shiseido Company, Limited(a position which he continues to hold)                |          |

(Note) No conflicts of interest exist between the Company and any of the candidates.

**Proposition No. 4:** Election of 1 Statutory Auditor.

We would like to build a system of 5 Statutory Auditors, including 3 from outside the Company, so as to further enhance our auditing system. Accordingly, we propose the addition of 1 more outside Statutory Auditor.

The Board of Statutory Auditors has consented to this proposition.

The candidate for the position of Statutory Auditor is as follows:

| Name<br>(Date of birth)         | Profile<br>(Representation of other companies)   | Number of<br>shares of the<br>common stock of<br>the Company<br>held by the<br>candidate |
|---------------------------------|--|--|
| Kazuo Tezuka<br>(April 7, 1941) | April 1967 Registered as attorney;<br>Joined Kaneko & Iwamatsu Law Firm (a position which he continues to hold)<br>April 1991 Vice President of Daini Tokyo Bar Association (resigned in March 1992);<br>Vice President of Japan Federation of Bar Associations (resigned in March 1992)<br>May 1995 Member of Commercial Law and Company Law Committees, Legislative Council of the Ministry of Justice (resigned in February 2002) | 0 shares   |

(Notes)

1. No conflicts of interest exist between the Company and Mr. Kazuo Tezuka.
2. Mr. Kazuo Tezuka is a candidate for an outside Statutory Auditor as provided for in Article 18(1) of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha."

**Proposition No. 5:** Revision of remuneration for Statutory Auditors.

By resolution of the 149<sup>th</sup> Ordinary General Meeting of Shareholders held on April 28, 1988, the remuneration limit for the Company's Statutory Auditors is ¥7 million per month, and such limit remains valid to this day. We propose a revision of this limit to ¥9 million per month, as we propose the addition of 1 outside Statutory Auditor in order to further enhance the Company's system of Statutory Auditors.

The Company now engages 4 Statutory Auditors, but it will engage 5 Statutory Auditors once Proposition No. 4 is approved

**Proposition No. 6:** Presentation of retirement payments to retiring Directors.

In order to reward their respective services while in office, we propose to present retirement payments to Mr. Takeshi Shigenaga, Mr. Shozo Sawada, and Mr. Akira Negami, all of whom are to retire as Directors upon the close of this Ordinary General Meeting, within the range of appropriate amounts based on the Company's established standard for calculation of retirement payments for Directors. We would like to leave the actual amounts, times, and manners of presentation to the discretion of the Board of Directors.

The profiles of the above retiring Directors as related to this Proposition are as follows:

| Name              | Profile    |  |
|-------------------|------------|--|
| Takeshi Shigenaga | March 1999 | Director   |
|                   | March 2002 | Managing Director<br>(a position which he continues to hold) |
| Shozo Sawada      | March 1999 | Director   |
|                   | March 2002 | Managing Director<br>(a position which he continues to hold) |
| Akira Negami      | March 2004 | Managing Director<br>(a position which he continues to hold) |

- END -